

TRANSLATION

REPUBLIC OF PANAMA MINISTRY OF ECONOMY AND FINANCE

EXECUTIVE DECREE N° 52 (dated 30 April 2008)

**Whereby the Sole Text of Decree Law 9 dated 26 February 1998,
modified by Decree Law 2 dated 22 February 2008 is adopted.**

THE PRESIDENT OF THE REPUBLIC
in full use of his constitutional and legal powers,

WHEREAS:

Decree Law 9 dated 26 February 1998, which modified the Banking Regime and created the Superintendency of Banks, was modified by Decree Law 2 dated 22 February 2008.

Article 277 (Transitory) of Decree Law 2 dated 22 February 2008 authorizes the Executive Branch to sequentially reorder and renumber the unmodified provisions of Decree Law 9 of 1998, along with the new provisions of Decree Law 2 of 2008, as a Sole Text beginning with Article One.

In compliance with the provisions of Decree Law 2 dated 22 February 2008 and in order to facilitate the general public's use and handling of the Banking Regulations, a Sole Text was created,

DECREES:

ARTICLE ONE: To adopt the Sole Text of Decree Law 9 dated 26 February 1998, as modified by Decree Law 2 dated 22 February 2008, with sequential numbering of the articles, commencing with the Number 1, as follows:

TITLE I GENERAL RULES AND DEFINITIONS

ARTICLE 1. SCOPE OF APPLICATION. This Decree Law will apply to:

1. The banks or any person engaged in the banking business in or from the Republic of Panama.
2. The banking groups, as they are defined in this Decree Law and in the enabling regulations issued for its implementation.
3. The representative offices.

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4. The nonbanking or nonfinancial affiliates as described in Article 63 of this Decree Law.

ARTICLE 2. EXERCISE OF THE BANKING BUSINESS. Only those persons who have obtained a banking license may engage in the banking business in or from the Republic of Panama. Public Legal entities authorized to that effect may also engage in the banking business in or from the Republic of Panama.

PROVISO: It is forbidden for any person to raise funds from the general public, directly or indirectly, in or from the Republic of Panama, in deposits or in any other form, unless (a) said person holds a license or authorization for this activity issued by a competent legal authority or regulatory entity, or (b) said person is engaged in fundraising activities expressly exempt by law from any requirement for licensing, regulation or authorization.

In relation to these cases, the Superintendency will have the same powers and may follow the same procedures described in Article 45 of this Decree Law, notwithstanding the application of other sanctions that may apply.

ARTICLE 3. DEFINITIONS. For the purposes of this Decree Law, the following terms will be understood as:

1. **Accruing asset:** an asset that generates income regularly, independently of its location, as determined by the Superintendency of Banks.
2. **Rule:** any decision of general application adopted by the Board of Directors of the Superintendency, for the development of policies or the interpretation or definition of the scope of the provisions of this Decree Law.
3. **Nonbanking affiliate:** a nonbanking or nonfinancial entity associated with an economic group which includes a banking group, bank or bank holding company.
4. **Bank:** any person engaged in the banking business or acting as a representative office.
5. **Foreign bank:** branch or subsidiary of a bank or a bank holding company whose head office is located outside of the Republic of Panama.
6. **Panamanian bank:** a bank whose head office is in the Republic of Panama.
7. **State-owned bank:** an entity owned by the State and engaged in the banking business.
8. **Assigned capital:** capital funds that a foreign bank destines or assigns to a branch in Panama.

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9. **Primary capital:** consists of paid-in capital, declared reserves and retained earnings.
10. **Secondary capital:** capital made up of non-declared reserves, revaluation reserves, general loss reserves, hybrid debt-capital instruments, and subordinated term debt.
11. **Tertiary capital:** capital made up exclusively of short-term subordinated debt to address market risk.
12. **Career:** banking supervisors' career.
13. **Circular:** document issued by the Superintendent to the banks operating in Panama, providing instructions for compliance with standards and regulations.
14. **Competence:** the continuous demonstration of the required skills to efficiently and effectively perform in a public position in the Superintendency in accordance to the standards established in the Positions Profile Handbook of the Institution.
15. **Banking adhesion contract:** a contract whose clauses have been unilaterally established by the bank, excluding the client from negotiating its content.
16. **Days:** calendar days unless otherwise stated.
17. **Foreign supervisory body:** foreign supervisory authority with similar functions to those of the Superintendency of Banks.
18. **Establishment:** any office, branch or agency through which a bank engages in the banking business, excepting any equipment, machines, systems, offices or dependencies expressly defined by the Superintendency.
19. **Financial statements:** the general balance sheet, the profit-and-loss statement, the net worth statement, the cash flow statement, and notes on the most relevant accounting policies and other explanatory notes.
20. **Evaluation:** action and effect of appraising the competencies and performance of employees of the Superintendency or candidates to become one.
21. **Secured credit:** a credit that is secured at all times by collateral whose value is equal to or greater than the amount owed.
22. **Unsecured credit:** a credit that is not secured by any collateral whatsoever at the moment of its evaluation.
23. **Partially secured credit:** a credit that is secured at all times by collateral whose value is less than the amount owed. The Superintendency will determine what

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- constitutes collateral under paragraphs 21, 22, and 23 of this article and how to establish its valuation.
24. **Capital funds:** the aggregate of primary capital, secondary capital, and tertiary capital of a bank.
 25. **Staff member:** a public employee in the service of the Superintendency.
 26. **Banking group:** one constituted by a bank holding company and its subsidiaries at any level, whose activities consist, predominantly, of providing services in the banking or financial sectors, including nonbanking subsidiaries of the latter which, in the opinion of the Superintendency, operate under common management, either through the bank holding company or through different holdings or agreements.
 27. **Economic group:** any group of persons or legal entities of any nationality or jurisdiction, whose interests are interrelated such that, in the opinion of the Superintendency, they should be considered as one entity.
 28. **Interest:** any sum or sums of money, under any form or under any name, that are charged, received or paid for the use of money.
 29. **Board of Directors:** the Board of Directors of the Superintendency.
 30. **Banking business:** principally, the receipt of resources from the public or from financial institutions by means of the acceptance of time deposits or by any other means determined by the Superintendency or by banking practices, and the use of such resources for the bank's benefit and at its own risk, to grant loans, make investments or for any other transaction authorized by the Superintendency.
 31. **Accounting standards:** those adopted by the Superintendency as a general regulation and which all banks must follow in their accounting.
 32. **Technical and prudential standards:** those issued by the Superintendency to assure the soundness and efficiency of the banking system.
 33. **Representative office:** the office of a bank which promotes the banking business from within the Republic of Panama but does not engage in the banking activity.
 34. **Bank holding company:** any person or legal entity who is predominantly, whether directly or indirectly, the owner of the shares of a bank or who, in the Superintendency's best judgment, exercises control over the bank's management.
 35. **Capital reserve:** reserves consisting of accumulated earnings held on the books of banks for the purpose of reinforcing their financial position.

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36. **Resolution:** a decision adopted by the Superintendent or by the Board of Directors, in the exercise of powers granted by this Decree Law, applicable to a particular case.
37. **Merit system:** labor regime based upon a system of performance appraisals, whose purpose is to promote competitiveness, job stability, and productivity among the personnel required for the efficient functioning of the Superintendency.
38. **Subsidiary:** a legal entity, all or a majority of whose shares are owned by a bank or bank holding company, with the exception of legal entities for whom the bank acts as a fiduciary agent.
39. **Branch:** an establishment of a bank which is an integral part of the bank without separate, independent or autonomous legal status.
40. **Superintendency:** the Superintendency of Banks of Panama.
41. **Superintendent:** the Superintendent of Banks.

TITLE II THE SUPERINTENDENCY OF BANKS

CHAPTER I GENERAL OUTLINES

ARTICLE 4. THE SUPERINTENDENCY OF BANKS. The Superintendency of Banks is hereby created with full legal status as an autonomous institution of the State, with its own equity and administrative, budgetary and financial independence. The Superintendency will have exclusive competence to regulate and supervise the banks, the banking business and other entities and activities assigned to it by other laws.

In order to ensure its autonomy, it is hereby established that the Superintendency:

1. Will have its own funds, separate and independent from the Central Government, which it will administer exclusively and with full freedom and autonomy.
2. Will approve its own income and expense budget, which will subsequently be incorporated into the General Budget of the State.
3. Will establish its own organic and administrative structure, with the power to select, appoint, and dismiss its personnel, as well as to establish their compensation and benefits.
4. Will act independently in the discharge of its functions and will be subject to the supervision of the Office of the Comptroller General of the Republic, as established

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in the Political Constitution of the Republic and this Decree Law. This supervision will not in any way imply interference of any kind with the administrative powers of the Superintendency.

5. Will not be subject to the payment of taxes, duties, fees, charges, levies or tributes of a national nature, with the exception of social security and education insurance payments, professional risks coverage, fees for public services and import duties.
6. Will enjoy all of the guarantees and immunities that are afforded the State and public entities.

ARTICLE 5. OBJECTIVES OF THE SUPERINTENDENCY. The objectives of the Superintendency are:

1. To safeguard the soundness and efficiency of the banking system.
2. To strengthen and foster favorable conditions for the development of the Republic of Panama as an international financial center.
3. To promote public trust in the banking system.
4. To safeguard the judicial balance between the banking system and its clients.

ARTICLE 6. FUNCTIONS OF THE SUPERINTENDENCY. The functions of the Superintendency are:

1. To ensure that the banks maintain sufficient liquidity and solvency ratios to discharge their obligations, as well as adequate procedures that allow the supervision and control of their national and international activities, in close collaboration with foreign supervisory bodies if warranted.
2. To develop the regulatory framework for the banking system. When this function is discharged by the Board of Directors, it will be done through rules, and when done by the Superintendent, through resolutions.
3. To impose the appropriate sanctions on those parties guilty of engaging in the banking business without proper authorization.
4. To discharge such functions as may be assigned to it by this Decree Law or by other laws.

ARTICLE 7. ENTITIES OF THE SUPERINTENDENCY. The Superintendency will have a Board of Directors and a Superintendent appointed by the Executive Branch.

The appointment of the directors and of the Superintendent will not be subject to the Legislative Branch ratification established by Law 3 of 1987.

**CHAPTER II
THE BOARD OF DIRECTORS**

ARTICLE 8¹. COMPOSITION, OFFICERS AND REMUNERATION. The Board of Directors will serve as the highest body of consultation, regulation, and formulation of general policies of the Superintendency. The Board will be composed of seven directors with the right to speak and vote.

Five members of the Board of Directors shall be elected pursuant to the requirements set forth in Article 9. A chairman and secretary shall be elected from among them to serve as such for a term of one year. Said term may be renewed for an equal period.

The remaining two members of the Board of Directors shall be appointed by the boards of directors of the Superintendency of the Securities Market and the Superintendency of Insurance and Reinsurance, respectively, for a term of two years, renewable.

The directors will not receive remuneration nor representation expenses, except for *per diem* and travel allowances to attend meetings of the Board or to participate in official missions. The amount will be established by the Executive Branch.

TRANSITORY PROVISIO. The incumbent directors at the time the Law amending this Article enters in force will remain in their positions for the remainder of the term for which they were appointed.

ARTICLE 9. PREREQUISITES FOR BECOMING A DIRECTOR. To become a member of the Board of Directors, the candidate must meet the following requirements:

1. Must be a Panamanian citizen.
2. Must not have been convicted of intentional or malicious crimes by competent authority.
3. Must not be related to any director or the Superintendent within the fourth degree of consanguinity or second degree of affinity, nor be the spouse of another director or of the Superintendent.
4. Must not be a full time public servant, with the exception of university professorships.

¹ Amended by Article 116 of Law N° 67 dated 1 September 2011 "whereby the Inter-institutional Coordination and Cooperation System among the Financial Supervisory Bodies is established, the Superintendency of the Securities Market is created, Decree Law 1 of 1999 and Law 10 of 1993 are reformed and other legal provisions are prescribed;" and by Article 284 of Law N° 12 dated 3 April 2012 "whereby the insurance activities are regulated and other legal provisions are prescribed."

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5. Must hold a university degree and have a minimum of ten years of professional experience in the banking or financial sectors or in related activities.
6. Must not have been disqualified by the Superintendency or by the National Banking Commission to perform banking functions.
7. Must not have been legally declared bankrupt or involved in insolvency proceedings, nor be in a state of manifest insolvency.
8. Must not be a practicing banker, a member of a board of directors of a bank or a bank holding company, or a shareholder in direct or indirect possession of more than five percent of the stock of a bank or a bank holding company.

ARTICLE 10. TERMS OF THE DIRECTORS. The directors will remain in their positions for a period of eight years, renewable once only for an equal term.

The directors will be appointed in such a manner as to ensure their staggered replacement. In the case of the early departure of a director, his/her replacement will be appointed only for the remainder of the original term.

TRANSITORY PROVISIO. The incumbent directors at the moment this Decree Law takes effect will remain in their positions for the period for which they were appointed.

ARTICLE 11. DUTIES OF THE BOARD OF DIRECTORS. The following duties are assigned to the Board of Directors:

I. Of a Technical Nature:

1. To approve general standards for the identification, regulation, and consolidated supervision of banks and banking groups.
2. To approve generally applicable standards for the definition and identification of credits to clients related among themselves or related to banks or to banking groups.
3. To approve general criteria for the classification of assets at risk and rules for the provision of reserves against risks.
4. To approve generally applicable standards for suspending the accrual of interest in accordance with accepted international criteria.
5. To establish, within the administrative sphere, the interpretation and scope of the legal provisions and regulations on banking matters.

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6. To establish the rules for onsite inspections of banks or banking groups ordered by this Decree Law or, if necessary, by the Superintendency itself.
7. To establish the accounting requirements related to the financial information that banks must provide and approve the classification of accounts for banking use.
8. To establish the general standards that banks must follow in their accounting processes.
9. To modify the banking regulatory and supervisory fees, including the established maximums, by means of an affirmative vote of four of its members.
10. To issue the technical standards required for compliance with this Decree Law.
11. To discharge all other technical duties indicated in this Decree Law.

II. Of an Administrative Nature:

1. To approve the general guidelines, goals, and objectives of the Superintendency.
2. To approve the preliminary draft of the Superintendency's annual budget submitted by the Superintendent in compliance with the relevant constitutional process.
3. To approve the organizational structure of the Superintendency and its functions, and to revise them when considered appropriate.
4. To decide all appeals of resolutions made by the Superintendent.
5. To approve performance bonus programs for employees of the Superintendency as well as any other incentive programs designed to promote their productivity.
6. To approve internal labor regulations as well as a Code of Ethics and Conduct and the Internal Regulation on Operations.
7. To approve all direct contracts required by the Superintendency for amounts greater than thirty thousand balboas but less than one hundred thousand balboas, as set forth in this Decree Law and according to the rules of exception contained in the procedures for the selection of contractors in the Public Procurement Law and its regulations concerning such procedures.

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8. To issue the administrative regulations necessary for fulfilling the duties and functions of the Superintendency.
9. If necessary, to provide special assistance to the Executive Branch in establishing an integral, single body of enabling regulations for this Decree Law or for any other legal provisions for regulating the banking system.
10. To discharge all other administrative duties assigned by this Decree Law.

ARTICLE 12². QUORUM AND DECISIONS OF THE BOARD OF DIRECTORS. The presence of at least four members is required to constitute a quorum for the meetings of the Board of Directors.

The decisions of the Board of Directors shall be adopted by the affirmative vote of at least four directors, except in those cases especially established in this Decree Law.

When due to conflict of interests, one or more directors are disqualified from voting, the decision will be adopted by the affirmative vote of the majority of those members qualified to vote.

CHAPTER III THE SUPERINTENDENT

ARTICLE 13³. THE POSITION OF SUPERINTENDENT. The Superintendent will be the legal representative of the Superintendency and will be in charge of the administration and management of its daily affairs. He/she will serve as a full-time public official and will be compensated with a salary to be determined by the Executive Branch. The Superintendent will serve a term of five years, renewable for one additional term, commencing on the 1st of January following the start of each regular presidential period.

The Superintendent may participate in the meetings of the Board of Directors with a right to speak, except when, in the best judgment of the Board, the subject of the meeting is best discussed in the absence of the Superintendent.

Should the Superintendent leave office before the end of his/her term, a replacement will be appointed for the remainder of the term.

In the absence of the Superintendent, the legal representation of the Superintendency will be vested in the Chairman of the Board of Directors. In the case of a

² Amended by Article 117 of Law N° 67 dated 1 September 2011 "whereby the Inter-institutional Coordination and Cooperation System among the Financial Supervisory Bodies is established, the Superintendency of the Securities Market is created, Decree Law 1 of 1999 and Law 10 of 1993 are reformed and other legal provisions are prescribed."

³ Amended by Article 118 of Law N° 67 dated 1 September 2011 "whereby the Inter-institutional Coordination and Cooperation System among the Financial Supervisory Bodies is established, the Superintendency of the Securities Market is created, Decree Law 1 of 1999 and Law 10 of 1993 are reformed and other legal provisions are prescribed."

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temporary absence of the Superintendent, the Board of Directors may appoint an interim Superintendent.

TRANSITORY PROVISIO. The incumbent Superintendent at the time the Law amending this article enters in force will remain in the position until 31 December 2014.

ARTICLE 14. PREREQUISITES FOR BECOMING SUPERINTENDENT. To become Superintendent, the candidate must meet the following requirements:

1. Must be a Panamanian citizen.
2. Must not have been convicted of intentional or malicious crimes by competent authority.
3. Must not be related to any member of the Board of Directors within the fourth degree of consanguinity or the second degree of affinity, nor be the spouse of a director.
4. Must possess a university degree and must have at least ten years of public- or private-sector experience at the executive or management level in banking, finance, commerce or related activities.
5. Must not be a practicing banker or director of a bank or bank holding company, or a shareholder in direct or indirect possession of more than five percent of the stock of a bank or a bank holding company.
6. Must not have been disqualified by the Superintendency or the National Banking Commission to perform banking functions.
7. Must not have been legally declared bankrupt or involved in insolvency proceedings, nor be in a situation of manifest insolvency.

ARTICLE 15. FUNCTIONS OF THE SUPERINTENDENT. The Superintendent will comply with and execute all rules and resolutions adopted by the Board of Directors, and will ensure compliance with the standards and policies established with respect to banking matters.

Similarly, the Superintendent may propose to the Board of Directors the adoption of decisions within the Board's purview.

ARTICLE 16. DUTIES OF THE SUPERINTENDENT. The following duties are assigned to the Superintendent:

I. Of a Technical Nature:

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1. To approve temporary operating permits and banking licenses.
2. To authorize the closing or transfer of banking establishments, as well as the opening abroad of branches or subsidiaries of Panamanian banks or foreign banks operating in Panama.
3. To authorize the voluntary liquidation of banks.
4. To order the seizure of administrative control, reorganization or compulsory liquidation of banks in those cases provided for in this Decree Law.
5. To order the cancellation of banking licenses.
6. To authorize the merger and consolidation of banks, of bank holding companies, and of the banking groups of which they form a part.
7. To authorize the acquisition or transfer of stock of banks, bank holding companies or banking groups when, as a result of the acquisition, the buyer or persons related to the buyer will become total or majority owners or will acquire a controlling interest, as defined by the Superintendency.
8. To publish or order the publication of the financial statements of banks with appropriate regularity and content.
9. To order the banks to remove its directors, officers or executives if, in his/her judgment, there is sufficient reason to do so.
10. To issue certifications related to the existence and activities of banks, based on the information on hand in the Superintendency.
11. To supervise the banks in accordance with this Decree Law and the regulations enforcing it, as well as the internationally accepted standards and criteria encompassed by the Panamanian banking legal framework.
12. To carry out the consolidated supervision of banking groups in accordance with the provisions of this Decree Law and the Board of Directors.
13. To carry out the inspections ordered by this Decree Law, by the Board of Directors, and those considered necessary or prudent.
14. To establish prevention programs that provide full cognizance of the financial condition of banks, as well as the verification of the truthfulness of the information submitted by banks to the Superintendency.

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15. To appoint advisors, supervisors or administrators in those banks that require special attention from the Superintendency.
16. To impose the relevant sanctions for violations of the provisions contained in this Decree Law or in regulations issued thereby.
17. To authorize amendments to the corporate charters of banks.
18. To issue regulations to avoid or correct irregularities or flaws in bank operations which, in his/her judgment, may jeopardize the interests of depositors, the stability of a bank or the soundness of the banking system.
19. To ensure that banks provide their clients with information that will ensure the utmost transparency in their operations.
20. To establish cooperative agreements with foreign supervisory bodies to strengthen control mechanisms, update preventive regulations, and exchange useful information in the discharge of supervisory responsibilities.
21. To establish cooperative agreements of a professional or educational character with public or private institutions.
22. To evaluate the financial indicators of banks and banking groups to permit an adequate follow-up on principal banking risks such as capital adequacy, credit, liquidity, operating and market risks, and other risks that the Superintendency may consider appropriate.
23. To assist in the efforts of competent public organisms to eradicate disloyal competitive practices or practices that limit free access to the banking market.
24. Within the limits allowed by this Decree Law and complementary legislation, to issue regulations that banks must comply with to ensure their operations take place within acceptable levels of risk, including the establishment of limits and ratios that banks must observe in their operations.
25. To issue the necessary circulars containing instructions for compliance with this Decree Law and its enabling regulations.
26. To order onsite inspections of persons believed to be engaged or seeking to engage in the banking business without proper authorization, and to seize control of their operations, suspend their operations or close the establishments involved.

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27. To resolve all technical matters which are not expressly reserved for the Board of Directors or another authority.
28. To discharge all other duties provided for in this Decree Law.

II. Of an Administrative Nature:

1. To acquire the goods and services required for the proper functioning of the Superintendency and to execute or carry out the functions assigned to it by this Decree Law and its regulations.
2. To prepare the draft of the annual budget and the annual report of activities and projects of the Superintendency and submit them for the consideration of the Board of Directors.
3. To establish wages, salary scales, and other compensation, as well as to select, appoint, transfer, promote, grant leave or temporary absences or discharge employees and staff of the Superintendency and apply whatever disciplinary sanctions are necessary.
4. To assure the efficient execution and administration of the Superintendency's annual budget.
5. To approve all direct contracts required by the Superintendency for amounts below thirty thousand balboas, in accordance with the provisions of this Decree Law and according to the rules of exception contained in the procedures for the selection of contractors in the Public Procurement Law and its regulations concerning such procedures.
6. To determine official holidays and days that banks must be open to the public.
7. To present the unaudited financial statements of the Superintendency to the Board of Directors within two months of the closing of the first half of each fiscal year.
8. To present the financial statements of the Superintendency to the Board of Directors, properly audited by independent certified public accountants, within three months after the closing of the fiscal year.
9. To delegate functions to staff members of the Superintendency, subject to the decisions and guidelines of the Board of Directors.
10. To present an annual report of his/her work to the Board of Directors.

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11. To resolve all issues of an administrative character which are not expressly reserved for the Board of Directors or another authority.
12. To prepare and submit for the approval of the Board of Directors, proposals for rules, decisions, and administrative reforms that the Board may request including but not limited to, the Banking Supervisor Civil Service Career System and the internal regulations of the Superintendency.
13. To discharge all other duties assigned by this Decree Law.

CHAPTER IV GENERAL PROVISIONS

ARTICLE 17. REMOVAL. The Directors and the Superintendent may be removed from their positions only for reasons established in this Decree Law, upon decision of the Third Chamber of the Supreme Court of Justice and in accordance with the procedure established in the Judicial Code. The Executive Branch and the Board of Directors are authorized to solicit their removal.

ARTICLE 18. CAUSES FOR REMOVAL. The Third Chamber of the Supreme Court of Justice may order the removal of a member of the Board of Directors, or of the Superintendent, who has incurred in one of the following causes for removal:

1. Permanent inability to discharge his/her duties.
2. Declaration of bankruptcy, involvement in insolvency proceedings or being in a manifest state of insolvency.
3. Failure to comply with the prerequisites for becoming a director or Superintendent.
4. Lack of integrity in the discharge of his/her duties.
5. Repeated and unjustified absence from the meetings of the Board of Directors.
6. Failure to comply with the obligations and prohibitions imposed by this Decree Law.

ARTICLE 19. CONFLICT OF INTEREST. When a meeting of the Board of Directors discusses a subject with which any of the directors or the Superintendent may have a conflict of interest, such director or the Superintendent will abstain from participating in the meeting. In the absence of voluntary recusal, the Board of Directors may formally require the director or the Superintendent, as the case may be, to refrain from participating in the meeting and, therefore, in the decision.

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ARTICLE 20. PRESUMPTION OF LEGALITY. The actions of the members of the Board of Directors, of the Superintendent, and his/her deputies, in the discharge of their functions and duties, are presumed to satisfy all requirements of legality, diligence, and good faith. No legal complaint against them for their actions will be cause for suspension or dismissal until the case has been decided.

ARTICLE 21. RIGHT TO INSTITUTIONAL LEGAL SUPPORT. The members of the Board of Directors, the Superintendent, and his/her deputies, as well as any other staff member authorized by the Board of Directors by means of a reasoned resolution, have the right to the Superintendency's payment of all legal expenses and costs necessary for their defense when they are the subject of legal actions, proceedings, trials or lawsuits resulting from their actions or decisions adopted in accordance with this Decree Law and in the discharge of their duties, functions or obligations.

The institutional legal support referred to in this article applies to these staff members for actions taken during their period of office, even if the charges are brought after their departure from office.

If the staff member should be held liable for the actions or events attributed to him/her, said staff member will reimburse the Superintendency for the expenses that it incurred in his/her defense.

The Superintendency shall subrogate the rights of the defendant or accused for the recovery of expenses and court costs.

The Board of Directors will establish or provide whatever is necessary for faithful compliance with the provisions of this article.

CHAPTER V BANKING REGULATORY AND SUPERVISORY ASSESSMENT

ARTICLE 22. BANKING REGULATORY ASSESSMENT. A regulatory and supervisory assessment is hereby created for the Superintendency. Banks are subject to the annual payment of this assessment according to the following rates:

1. **General License Banks:** Thirty thousand balboas (B/.30,000.00) plus the equivalent of thirty-five balboas (B/.35.00) for each million balboas (B/.1,000,000.00) or fraction thereof in total assets, this last figure up to a maximum of one hundred thousand balboas (B/.100,000.00).
2. **International License Banks:** Fifteen thousand balboas (B/.15,000.00)
3. **Representative Offices:** Five thousand balboas (B/.5,000.00)

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The amount of the assessment must relate directly to the costs the Superintendency incurs in complying with its functions in a rational and efficient manner, based on its budget. To that end, the Superintendency may, at its discretion, increase or reduce the applicable assessment.

Notwithstanding the above, if, at the end of a budgetary period, there were a surplus derived from these assessments, the Superintendent will transfer the surplus to a special account to be used to defray future budgetary expenses. If excess balances were to occur in two consecutive budgetary periods, the Superintendency must reduce the amount of the assessments as necessary, so that surpluses do not occur in subsequent budgetary periods.

ARTICLE 23. OTHER RESOURCES OF THE SUPERINTENDENCY. The Superintendency will also count on the following resources:

1. The income from inspections and other special services paid by the banks and other regulated entities.
2. Donations and other testamentary gifts that it accepts.
3. Assets and rights that it might possess, acquire or receive by any means.
4. Profits and income generated by its assets.
5. Other income that it may obtain for any reason.

CHAPTER VI BANKING SUPERVISOR CIVIL SERVICE CAREER

ARTICLE 24. CREATION OF THE BANKING SUPERVISOR CIVIL SERVICE CAREER. The Banking Supervisor Civil Service Career is hereby created under a system of administration of human resources that will develop norms, procedures, and compensation plans to be applied to the public servants in the Superintendency on the basis of merit and efficiency.

ARTICLE 25. BASIC PRINCIPLES OF THE CAREER. The primary objectives of the Career are:

1. To guarantee that the human resources administration of the Superintendency is based strictly on the effective and efficient performance of staff members and their overall professional development with compensation appropriate to the needs and financial reality of the Superintendency.
2. To guarantee the fair treatment of staff members without any discrimination due to race, birth, disability, social standing, sex, religion or political affiliation.

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3. To guarantee equality of opportunity for promotion.
4. To achieve greater efficiency from the staff and the Superintendency.
5. To guarantee a working environment free of political fears and pressures within the Superintendency.
6. To promote diversity and a free flow of ideas that will attract distinguished staff members, conscious of their role in the service of society and guarantee the competitiveness of the Superintendency.
7. To promote the acquisition and retention of staff members having the capacity, competence, loyalty, and integrity required for positions in the Superintendency.

If any of the provisions in this Chapter are not clear, they will be interpreted on the basis of these principles and according to the definitions established in this Decree Law.

ARTICLE 26. SUPERVISORY ENTITIES OF THE CAREER. The main supervisory entities of the Banking Supervisor Civil Service Career are:

1. The Board of Directors, which will be authorized to adopt the provisions, labor regulations, manuals, and policies necessary to implement the norms of the Banking Supervisor Civil Service Career.
2. The Superintendent.
3. The Superintendency's Human Resources Division.

PROVISO. The Board of Directors will act as the policy body and the others will act as executors of the human resources policies of the Superintendency established in this Chapter. Their actions will be bound by the provisions of the Political Constitution of the Nation and the internal regulations and policies adopted for the implementation of this Decree Law.

ARTICLE 27. CAREER COMMITTEE. In its role as Career Committee, the Board of Directors will have the following functions:

1. To act as a consultant to the executive Career entities in matters concerning the application and interpretation of this Decree Law.
2. To resolve appeals of disciplinary actions against career staff members.

PROVISO. The procedures for the Career Committee will be determined by resolution of the Board of Directors.

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ARTICLE 28. CAREER STAFF MEMBERS. Those who have been admitted or will be admitted in the future to the Banking Supervisor Civil Service Career according to the procedures established in this Chapter.

The Superintendent is not a career staff member.

ARTICLE 29. APPOINTMENT AS A CAREER STAFF MEMBER. The staff member who enters as an employee of the Superintendency according to the recruitment and selection procedures established in this Chapter and the norms adopted for the implementation of the Career, will become a career staff member upon completing a trial period of no less than two years of continuous service with a satisfactory performance appraisal.

The procedures for selection will be based, as a minimum, on professional competence, academic record, experience, and moral background, all of which will be verified by an objective methodology, previously prepared and approved under the provisions of this Chapter.

Subject to performance appraisal, those persons who are staff members of the Superintendency, at the time of the enactment of this Decree Law, will be confirmed as career staff members if they have at least two years of continuous service in the Superintendency and comply with the profile and all requisites for the position they occupy.

ARTICLE 30. RIGHTS OF THE CAREER STAFF MEMBER. Career staff members have the rights and benefits established in this Chapter, in the internal regulations of the Superintendency and principally, but not limited to, the following:

1. Job stability.
2. Promotions and transfers.
3. Seniority bonuses.
4. Leaves of absence, with or without pay.
5. Compensation for unjustified dismissal.

Job stability for career staff members is conditioned on an effective, productive, honest, agile, and responsible performance as well as to an equitable, impartial, and respectful treatment of users of the Banking System and the public.

ARTICLE 31. SENIORITY BONUS. At the time of the cessation of employment with the Superintendency, career staff members have the right to a seniority bonus equal to a week's salary for each year of employment, up to a maximum of ten month's salary. In the

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event of a partially completed year of employment, the career staff member will have the right to a prorated bonus for that year.

The career staff member will have the right to recognition of continuous service for the National Banking Commission.

For purposes of calculation, the base salary will be the last salary earned.

The seniority bonus will be applicable only to those career staff members who terminate their employment due to resignation, unjustified dismissal, manpower reduction or physical disability.

ARTICLE 32. PROCEDURES AND POLICIES MANUAL. The Superintendency will issue a detailed manual, based on norms adopted by the Board of Directors, defining human resources actions and the procedures to be followed for their implementation.

ARTICLE 33. POSITION DESCRIPTIONS AND CLASSIFICATIONS. The Superintendency will issue a manual of position descriptions and classifications. Each position will have a specific description of its inherent tasks and the minimum requisites to fill the position. The descriptions will be periodically reviewed and updated.

Each position shall have a corresponding listing defining its duties, responsibilities and minimum requisites. Each position will be assigned a grade according to its complexity and hierarchy.

ARTICLE 34. COMPENSATION AND SALARY SCALE. The Superintendency will design a salary scale that will take into account the position classification, the financial condition of the Superintendency, the conditions of the labor market, and the compensation standards of the Panamanian banking marketplace.

The Superintendency will review its compensation policy at least every two years to guarantee career staff members a salary that will afford them a decent and dignified lifestyle as well as guarantee equal pay for equal work.

ARTICLE 35. MOTIVATIONAL POLICIES AND PROGRAMS. The Superintendency will establish motivational policies or programs for career staff members to encourage productivity, efficiency, and competitiveness, as well as to improve moral, social and cultural development and work spirit.

Motivational policies or programs will establish economic, moral, social and cultural incentives based strictly on the performance of the career staff member and the achievement of his/her personal objectives/goals.

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ARTICLE 36. PERFORMANCE APPRAISAL SYSTEM. The Superintendency will establish a performance appraisal system to serve as the basis for the compensation, incentives, training, and dismissal of staff members.

The performance appraisal system shall encompass norms and procedures to evaluate and grade the performance of staff members. The evaluation and grading will be based solely on performance and output, without any prejudice whatsoever. The appraisal system will be approved by the Board of Directors.

ARTICLE 37. TRAINING POLICIES. The Superintendency will establish training policies, preferring, whenever possible, training courses offered by the National Institute for Vocational Training and Human Development (INADEH). Nevertheless, the Superintendency will act with full autonomy and without need for prior approval from any other entity with respect to its training policies and programs.

ARTICLE 38. TERMINATION OF EMPLOYMENT. The employment of the career staff member with the Superintendency will be terminated for any of the following reasons:

1. Written resignation, duly accepted.
2. Workforce reduction.
3. Dismissal.
4. Disability confirmed by the public health services.
5. Disassociation due to performance appraisal.
6. Death.

ARTICLE 39. COMPENSATION FOR UNJUSTIFIED DISMISSAL. Notwithstanding the right to job stability granted by this Chapter, the career staff member can be dismissed from his/her position by the Superintendent at any time and for any cause, as long as he/she is paid the seniority bonus and compensation calculated at the rate of a week's salary for each year of employment up to ten months' salary. In the event of a partially completed year of employment, the career staff member will have the right to a prorated bonus for that year.

The career staff member will have the right to recognition of continuous service for the National Banking Commission.

For purposes of calculation, the base salary will be the last salary earned.

The Superintendency will disburse this compensation for unjustified dismissal within no more than sixty business days from the date the right is acquired.

ARTICLE 40. APPLICATION OF OTHER NORMS IN CASE OF CONTRADICTION. For the purposes of this Chapter exclusively, in case of contradiction between the provisions herein established and other norms, the applicable norms are those established in this Chapter and the regulations that may be developed to define their administrative interpretation and scope.

Law 9 of 1994 and its amendments shall apply only as an additional rule.

**TITLE III
BANKING REGIME**

**CHAPTER I
AUTHORIZATIONS**

ARTICLE 41. BANKING LICENSES. No one may engage in the banking business in or from the Republic of Panama without the corresponding banking license or without having been properly authorized by law.

Three types of licenses may be issued:

1. **General License.** Allows the licensee to engage in the banking business in the Republic of Panama, as well as to carry out transactions that are concluded, consummated or have effect outside the territory of the Republic of Panama, and to carry out whatever other activities may be authorized by the Superintendency of Banks.
2. **International License.** Allows the licensee to engage in, from an office established in Panama, transactions that are concluded, consummated or have effect outside the territory of the Republic of Panama, and to carry out whatever other activities may be authorized by the Superintendency of Banks.
3. **Representation License.** Allows licensed foreign banks to establish a representation office in the Republic of Panama and carry out whatever other activities may be authorized by the Superintendency of Banks. Representation offices must always include the expression “representative office” in all of their operations.

A representation license has to be requested directly by the bank that will be represented and may only be issued to said bank. Once the license is issued, the bank may engage in representation activities through a branch or a wholly owned subsidiary.

PROVISO. Banks may request a change in their type of license from the Superintendency. Once updated, the documentation on file in the Superintendency will be recognized as

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valid. The Superintendency will determine what additional requirements are necessary to effect the change on a case by case basis.

ARTICLE 42. VALIDITY OF EXISTING BANKING LICENSES. Banking licenses issued by the National Banking Commission will retain full validity upon the coming into force of this Decree Law.

ARTICLE 43. PRIOR AUTHORIZATION OR “NO OBJECTION”. Without prejudice to other provisions of this Decree Law, foreign banks must have the authorization or “no objection” from their home supervisor to request a license to engage in the banking business in or from Panama or to request a representative office.

ARTICLE 44. USE OF THE WORD “BANK”. Only those banks authorized by a banking license issued by the National Banking Commission or the Superintendency, as may be the case, may use the word “Bank” or any of its derivatives in any language, be it in their everyday name, their corporate name, their commercial denomination, description, letterheads, invoices, printed letter paper, announcements, advertising or by any other means or form that may indicate or induce anyone to think that they are engaged in or dedicated to the banking business. Specifically excluded from these provisions are those institutions or associations of a national nature that are exclusively dedicated to humanitarian or charitable activities, governmental entities engaged in the financing of social interest sectors, and multilateral or international organizations recognized by the Republic of Panama.

Notwithstanding the above, in exceptional cases the Superintendent may authorize the use of the word “Bank” or any of its derivatives in any language, to a person or legal entity that does not engage in the banking business, if the word “Bank” or its derivatives is to be used only as part of the name of the applicant and does not create confusion or doubt about the nature of the operations and activities to be realized.

The Superintendency is the only institution that may authorize the use of the word “Bank” and its derivatives in any language, in the Republic of Panama.

PROVISO. Public notaries are forbidden from authorizing any legal document or copies of these, or instruments or declarations peculiar to their office, or the authentication of signatures, that contravene the provisions of this article. A similar prohibition applies to the Public Registry of Panama with respect to the filing of such documents, the Director General of the Public Registry being under obligation to report to the Superintendency the existence of any filing that may contravene the provisions of this article.

The Superintendent must evaluate such a report and order a marginal annotation on the filing of any corporation that might have transgressed the provisions established in this Decree Law. At the expiration of sixty calendar days beginning on the day of the marginal annotation, the corporation in question will be fully dissolved by law, in the case of a

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Panamanian corporation or disqualified from conducting business in Panama, in the case of a foreign corporation.

ARTICLE 45. ENGAGING IN THE BANKING BUSINESS WITHOUT A LICENSE.

If, at any time, there should be cognizance or reason to believe that a person is engaged or pretends to engage in the banking business without a license, the Superintendency is authorized to examine such person's books, accounts, and other documentation to ascertain the facts. Any unjustified refusal to present said books, accounts or other documentation will be considered a presumption of engagement in the banking business without a license.

If it were necessary, the Superintendency may take over control of the establishments in which it is presumed that the banking business is taking place without a license and, if the facts were proven, order its closure. In these cases, the Superintendency may call on the support of the National Police and other authorities.

The Superintendency will order the Public Registry to add a marginal annotation in the filing of any corporation affected by this article and will impose the sanctions called for in this Decree Law. At the expiration of sixty calendar days beginning on the day of the marginal annotation, the corporation in question will be fully dissolved by law, in the case of a Panamanian corporation or disqualified from conducting business in Panama, in the case of a foreign corporation.

The provisions of this article will also apply to those cases in which the Superintendency has reason to believe that a person is collecting or intends to collect funds from the general public in contravention of Article 2 of this Decree Law.

ARTICLE 46. PUBLICATION OF ORDERS. In every case in which the Superintendency orders the Director General of the Public Registry to add a marginal annotation as provided for in Articles 44 and 45 of this Decree Law, the Superintendency will publish those orders for three business days in a newspaper with broad circulation in the Republic.

CHAPTER II PROCEDURES FOR THE ISSUING OF LICENSES

ARTICLE 47. LICENSE APPLICATION. Applications for a banking license must be presented to the Superintendent through an attorney. The Board of Directors will determine the requisites and other conditions that the petitioners must meet in order to obtain a banking license.

ARTICLE 48. CRITERIA FOR THE APPROVAL OR REFUSAL OF A BANKING LICENSE. The Superintendent will have ninety days from the time of the submittal of the complete documentation required by the Superintendency, to approve or refuse the petition for a banking license, taking the following criteria into account:

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1. Identity of the principal shareholders and professional competence of the administrative staff based on their experience, integrity, and professional background.
2. Evidence of their capacity to contribute the required minimum capital, the origin of which must be clearly determinable.
3. A business plan which clearly demonstrates the viability of the bank and its contribution to the Panamanian economy.
4. Corporate governance policies.
5. Any other criteria that the Superintendent or the Board of Directors considers pertinent.

The time period referred to in this article may be extended at the discretion of the Superintendent, when he/she considers it necessary for a better evaluation of the particular petition.

ARTICLE 49. TEMPORARY PERMIT. Once the requisites established for the petition for a license are met, the Superintendent will grant a temporary permit for the exclusive purpose of allowing the petitioner to file the articles of incorporation in the Public Registry of Panama using the word “Bank” or any of its derivatives in any language, while the approval of the permanent license is processed.

The temporary permit will be granted for a period of ninety days.

ARTICLE 50. PERMANENT LICENSE. The petitioner will solicit the permanent license for the corporation during the period of validity of the temporary permit, once the petitioner’s corporation has been filed or enabled in the Public Registry, the petitioner has complied with the minimum capitalization required by Article 68 and, in the case of an international license, deposited the escrow called for in the same article. The provisions of this article apply equally with respect to other forms of legal organization of the petitioner.

Once the documentation and the corresponding requisites have been analyzed, the Superintendent is authorized to grant or refuse the requested license by means of a reasoned resolution. The petitioner must be personally notified of the decision within one hundred and twenty days of the Superintendency’s receipt of the petition for a permanent license.

The time period referred to in this article may be extended by the Superintendent, when the particular circumstances of a given petition make it necessary.

ARTICLE 51. PUBLICATION OF PETITIONS FOR LICENSES. Once the Superintendency has received and analyzed the documentation of the petitioner for a license to its satisfaction, the Superintendency will publish a public notice containing the

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following information, in a newspaper with broad national circulation on for three business days:

1. Name of the petitioner for the license.
2. Name of the directors and officers of the petitioner.
3. Operational background of the petitioner.
4. Names and identification numbers or passports of the directors, officers, and executives of the bank, indicating their respective positions.

The petitioner's previous fiscal year audited financial statements will be at the disposal of the general public in the offices of the Superintendency.

Persons who believe they have well founded reasons for opposing the requested license may present them in writing to the Superintendency and along with the documentation which supports their opposition, if available, within fifteen days following the date of the last publication of the announcement mentioned in this article. The Superintendency will consider well-founded those reasons that deal with the economic capacity and moral solvency of the petitioner or of the entity that aspires receive a banking license, of the directors, the officers, and executives mentioned in the public notice and, in general, those verifiable circumstances that make the establishment of this new banking entity in Panama inappropriate. The Superintendency shall be under no obligation to issue a decision based on the opposition or objections. The petitioner will have the right to refute the objections to the granting of a banking license within fifteen days of being notified of them by the Superintendency.

ARTICLE 52. PRELIMINARY AUTHORIZATION FOR INTERNATIONAL BANKING. Foreign banking entities that do not have a banking license to operate from Panama may request a preliminary authorization to engage in the international banking business from the Superintendency for the purpose of providing a contingency against the interruption in business continuity due to *force majeure* or natural disasters that might affect them. This authorization would provide a contingency authorization for the petitioner to operate under a full international license from an office located in Panama, effecting transactions that are concluded, consummated or have effect outside of the territory of the Republic of Panama.

The preliminary authorization must comply with all the requisites established in this Chapter for international licenses and the regulations that govern them. The activation of this contingency international banking license would become effective when the following conditions are complied with:

1. Confirmation from the home supervisor that continuity of business has been effectively interrupted in the petitioner's country of origin.

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2. Confirmation from the Banco Nacional de Panamá or from the Caja de Ahorros that the transfer of the escrow funds required by Article 68 of this Decree Law has been received.
3. Evidence that the petitioner has the minimum paid-in or assigned capital required from banks with an international license.

This authorization must be renewed annually and under no circumstances shall be deemed equivalent to a license to carry out banking business from Panama. The approval and renewal of the preliminary authorization will be subject to payment of any expenses for special services that the Superintendency may establish.

ARTICLE 53. LEGAL REPRESENTATIVES OF BRANCHES OF FOREIGN BANKS. Branches of foreign banks shall designate at least two legal representatives, both residing in Panama and one of which must be a Panamanian citizen.

ARTICLE 54. BUSINESS CONTINUITY. Banks shall have policies, regulations, and procedures to ensure that their principal operations can be maintained or recovered in a timely manner, in order to minimize the effects of any significant interruption that might affect their operational capability.

The Superintendency may issue regulations applicable to this issue.

ARTICLE 55. CORPORATE GOVERNANCE. Banks are required to comply with Corporate Governance regulations issued by the Superintendency. In case of noncompliance, they will be penalized according to the provisions of this Decree Law.

CHAPTER III CANCELLATION OF LICENSES

ARTICLE 56. CAUSES FOR CANCELLATION. The Superintendent may cancel the license of any bank for any of the following reasons:

1. Failure to start operations within six months following the granting of a permanent license. The bank may solicit an extension of this term based on verified justifications.
2. Ceasing in the exercise of the banking business.
3. The intervention of the parent bank or the cancellation of its license by the home supervisor or, in the Superintendency's best judgment, a lack of effective consolidated supervision by the home supervisor.

TRANSLATION

4. Submission of false or fraudulent information or omission of information relevant to the obtainment of a license.
5. Repeated serious violations of the provisions of this Decree Law.
6. In all other cases provided for in this Decree Law.

Before canceling the license, the Superintendency will personally notify the bank its intentions, specifying the cause. The bank will have thirty days from the day of notification to set forth its reasons for opposing the cancellation, together with any relevant evidence. Once this period expires, the Superintendency will issue its decision by means of a reasoned resolution. This decision is subject to a motion of reconsideration addressed to the Superintendent or an appeal addressed to the Board of Directors. The decision that resolves the appeal will exhaust all administrative recourse.

ARTICLE 57. MEASURES TO BE TAKEN AFTER THE CANCELLATION OF A LICENSE. Once the resolution canceling the license becomes final, the Superintendency will proceed immediately to:

1. Inform the Director General of the Public Registry of Panama of the decision, so that he/she may make the corresponding marginal annotation regarding the cancellation of the banking license.
2. Publish the resolution in a newspaper with broad national circulation for three business days.
3. Appoint the Liquidator or Board of Liquidators of the bank that will be in charge of the liquidation, according to the provisions set forth for a compulsory liquidation.

ARTICLE 58. OPENING AND CLOSING ESTABLISHMENTS. No new establishments may be opened in Panama without prior notification to the Superintendency.

The prior authorization of the Superintendency is required in the following cases:

1. The opening of subsidiaries or branches of Panamanian banks in a foreign jurisdiction or of foreign banks operating in Panama.
2. The closing or moving of an existing establishment, so that the Superintendency may ensure an orderly transition in which the interests of the depositors of the establishment are protected.

**CHAPTER IV
BANKING SUPERVISION**

ARTICLE 59. BANKING SUPERVISION. All banks that engage in the banking business in the Republic of Panama are subject to inspection and supervision by the Superintendency to confirm their financial stability and their compliance with the provisions of this Decree Law and its regulations.

ARTICLE 60. SUPERVISION OF STATE-OWNED BANKS. State-owned banks are subject to inspection and surveillance by the Comptroller General of the Republic under the provisions of the Constitution and legislation, and to supervision by the Superintendency, as well as to compliance with all norms, regulations, prerogatives, rights, and requirements that, according to this Decree Law, are applicable to the rest of the banks for the same type of operations and situations.

ARTICLE 61. HOME SUPERVISION. The Superintendency will exercise original, exclusive, consolidated, cross-border supervision of Panamanian banks and banking groups that organized in Panama, in accordance with the generally applicable provisions that may be adopted by the Board of Directors.

ARTICLE 62. HOST SUPERVISION. Foreign banks, their branches and subsidiaries shall be subject to the consolidated supervision of the corresponding foreign supervisor. Such entities will also be subject to individual and sub-consolidated supervision by the Superintendency and to all applicable provisions contained in this Decree Law and its regulations.

ARTICLE 63. SUPERVISION OF NONBANKING OR NONFINANCIAL AFFILIATES. The Superintendency will carry out the consolidated supervision of the activities of all nonbanking and nonfinancial entities that are affiliated or related to banking groups but that are not part of these, as provided for in this Decree Law and its regulations. In that respect, the Superintendency may require the information necessary to take cognizance of, and evaluate:

1. The risks that these activities might pose for the banks belonging to those banking groups.
2. The quality and scope of the management and control of these risks, including capital adequacy.

The Superintendency is authorized to require these banking groups, including their holding companies to take those measures necessary to prevent or correct practices or conditions that, in the Superintendency's judgment, might represent a material risk to the banks owned by these banking groups.

TRANSLATION

ARTICLE 64. INSPECTIONS BY FOREIGN SUPERVISORY BODIES. For the exclusive purpose of supervision, foreign supervisory bodies may request information from, and make inspection visits in Panama to, those foreign banks for which they are the home supervisors.

The information so obtained will be held strictly confidential and may not be revealed by the foreign supervisory body or used for purposes other than banking supervision without the prior authorization of the Superintendency. The Superintendency shall require a sufficient guarantee of confidentiality for these exceptions.

The foreign supervisory body will submit copies of all reports and documentation resulting from said inspection to the Superintendency.

ARTICLE 65. AGREEMENTS WITH FOREIGN SUPERVISORY BODIES. The Superintendency shall enter into agreements with foreign supervisory bodies, by either bilateral or multilateral memoranda, that allow and facilitate the consolidated, cross-border supervision referred to in this Chapter and the global evaluation of banks and banking groups subject to regulation and supervision under this Decree Law. These memorandums of understanding will specify, among other things, the criteria applicable to inspections, the exchange of information, and cooperation among the institutions.

Cooperation with foreign supervisory bodies will be based on principles of reciprocity and confidentiality, and must adhere strictly to the purposes of banking supervision.

ARTICLE 66. BANK INSPECTIONS. The Superintendency will conduct an inspection of each bank at least every two years, to determine its financial situation and to verify that it has complied with the provisions of this Decree Law in the normal course of business. These inspections will include the bank and may extend to other companies of the banking group and to nonbanking or nonfinancial affiliates referred to in Article 63 of this Decree Law. The total cost of the inspections, as well as incidental expenses, will be paid for by the bank.

The Superintendency may carry out these inspections with its own personnel or may outsource them to independent external auditors or to specialized, qualified professionals. In the latter case, the inspection reports submitted must be evaluated by qualified members of the Superintendency staff.

Those companies or firms over which the bank controls operations as trustee are exempted from the provisions of this article.

Any refusal by the bank to subject itself to an inspection, provided for in this article will be penalized as provided for in Title IV of this Decree Law, without prejudice to the imposition of corresponding criminal sanctions.

**CHAPTER V
CAPITAL**

ARTICLE 67. TYPES OF CAPITAL. All banks must comply with the capital funds required by this Decree Law and its regulations. The capital funds of the banks will be made up of primary capital, secondary capital, and tertiary capital. The amounts of the latter two, taken together, shall not exceed the first one.

The Superintendency will establish the deductions from the capital base that it considers technically necessary.

ARTICLE 68. MINIMUM PAID-IN CAPITAL. The minimum amount of paid-in or assigned capital, net of any losses, required to solicit and maintain a banking license is ten million balboas for a general license, and three million balboas for an international license. Banks may not, at any time, allow their capital to fall below the minimum amount required.

In the case of an international license, two hundred and fifty thousand balboas of the paid-in or assigned capital will be maintained as an escrow in the Banco Nacional de Panamá or the Caja de Ahorros. This deposit will earn interest at market rates agreed upon between the depositor and the government bank. This escrow is established for the sole and exclusive use of the Superintendency, for whatever purposes it may determine. For this reason the escrow is not subject to sequestration, garnishment or any other injunctive measures by third parties.

The Superintendency is hereby authorized to modify the amount of the minimum paid-in or assigned capital by means of a rule.

ARTICLE 69. CAPITAL RESERVE. Prior authorization from the Superintendency is required to reduce the capital reserve of any bank.

ARTICLE 70. CAPITAL ADEQUACY RATES. All general and international license banks under the home supervision of the Superintendency will maintain the following capital adequacy rates:

1. Capital funds equivalent to at least eight percent of the risk-weighted total of all assets and contingent off-balance sheet operations.
2. Primary capital equivalent to no less than four percent of the risk-weighted total of all assets and contingent off-balance sheet operations.

PROVISO. The Superintendency may modify the rates provided for in this article for all banks whenever it deems it convenient, by means of a rule of the Board of Directors.

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The Superintendent may require, by means of a reasoned resolution, a higher capital adequacy rate from any bank in particular when the bank's risk profile makes it advisable either temporarily or permanently.

ARTICLE 71. CAPITAL ADEQUACY FOR INTERNATIONAL LICENSE BANKS. International license banks subject to the host supervision of the Superintendency must comply at all times with the capital funds adequacy rates required by its home supervisor.

ARTICLE 72. OTHER RISK ASSESSMENTS. In determining the capital adequacy rate provided for in this Decree Law, the Superintendency may take into account the presence of other risks that may serve to evaluate the need for capital funds, including market risks, operating risks, and country risks.

CHAPTER VI BANK LIQUIDITY

ARTICLE 73. LIQUIDITY REQUIREMENTS. General license banks and international license banks that are subject to the home supervision of the Superintendency, must at all times maintain a minimum amount of liquid assets equivalent to a percentage of the total gross deposits that will be periodically fixed by the Superintendency. Said percentage will not exceed thirty-five percent. At the time of the entry into force of this Decree Law and until the Superintendency decides otherwise, that percentage will be thirty percent.

In calculating the liquidity percentage, deposits made in general and international license banks by their home office or a branch, subsidiary or affiliate outside of the national territory will be excluded from the calculation of total gross deposits.

ARTICLE 74. MODIFICATIONS TO LIQUIDITY PERCENTAGES. Modifications to the liquidity percentages must be complied with within a period indicated by the Superintendency but which shall not be less than thirty days.

ARTICLE 75. LIQUID ASSETS. For the purposes of the previous articles, the following shall be considered liquid assets, as long as they are exempt from all obligations or liens and are freely transferable:

1. Gold or legal currency in Panama.
2. Net balances in the Panama Clearing House.
3. Net balances deposited in any bank in Panama, whether demand deposits or time deposits whose maturity does not exceed one hundred eighty-six days from the date of the liquidity report, and all obligations payable in Panama on demand, or having a maturity no greater than one hundred eighty-six days from the date of the liquidity report.

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4. Treasury bills issued by the National Treasury and other securities issued by the State with maturities not greater than one year, at market value.
5. Net balances deposited in any overseas bank and previously approved by the Superintendency, whether payable on demand or with a maturity date not to exceed one hundred eighty-six days from the date of the liquidity report, and payable in legal currency in Panama.
6. Debt instruments issued by foreign governments or by international financial organisms, approved by the Superintendency, that are actively traded in stock markets, in accordance with the weighting criteria developed by the Superintendency for these purposes.
7. Debt instruments issued by domestic or foreign private entities and approved by the Superintendency, which are actively traded in a stock market and have been accorded investment grade by a qualified, internationally-recognized credit rating agency, at market value.
8. Debt instruments issued by domestic private entities and guaranteed by a general license bank, as long as the issuer and the guarantor bank do not belong to the same economic group.
9. Loan payments due within one hundred eighty-six days from the date of the liquidity report.
10. Other assets that the Superintendency may authorize.

PROVISO. The Superintendency is authorized to establish the compulsory percentage of liquid assets that may represent the total liquidity of banks in general or any bank in particular. When the Superintendency does not establish that percentage, the amount will be at the discretion of the bank. Furthermore, the Superintendency is authorized to define the specific characteristics with which liquid assets referred to in this article must comply.

ARTICLE 76. ASSETS AND LIABILITIES PATTERN. Banks will maintain a pattern of maturity of assets and liabilities that favors adequate financial liquidity. The Superintendency will develop regulations on this matter.

ARTICLE 77. LIQUIDITY REPORTS. Banks will present liquidity reports to the Superintendency in the form and frequency it prescribes.

ARTICLE 78. RELATION BETWEEN DOMESTIC ASSETS AND DOMESTIC DEPOSITS. General license banks will maintain assets in-country equivalent to a percentage of domestic deposits that is determined by the Superintendency according to national economic or financial conditions. This percentage will be the same for all banks and will not exceed one hundred percent of those deposits.

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The Superintendency will define domestic deposits for the purposes of this article.

PROVISO. At the time of the entry into force of this Decree Law and until the Superintendency decides otherwise, the percentage referred to in this article will be of eighty-five percent.

CHAPTER VII BANK INTEREST

ARTICLE 79. INTEREST RATES. Banks may freely fix the interest rate on asset and liability operations. For this reason, other laws or regulations that establish maximum rates of interest are not applicable to banks.

ARTICLE 80. ACKNOWLEDGMENT OF THE EFFECTIVE INTEREST RATE. Banks must clearly and unequivocally indicate the effective interest rates on their loans and deposits in the statements of account and in contractual documents with their clients, or whenever the client requests this information.

Furthermore, when a bank advertises a nominal interest rate in its publicity, it must simultaneously advertise the corresponding effective interest rate.

The Superintendency will establish the regulations it deems advisable to regulate this subject.

CHAPTER VIII EXTERNAL AUDITORS

ARTICLE 81. DESIGNATION OF EXTERNAL AUDITORS. Annually, within the first three months of its fiscal year, each bank must designate external auditors at its own expense. These auditors must be certified public accountants, specialized and with sufficient auditing experience in the Superintendency's judgment, and professionally capable. Their duties will be to submit reports to the shareholders or partners of each Panamanian bank, to the Head Office of each foreign bank, or to State-owned banks.

Banks will provide the names of the external auditors contracted by them to the Superintendency within the period it shall establish.

ARTICLE 82. REPORTS BY THE EXTERNAL AUDITORS. The external auditors will be responsible for issuing an independent opinion regarding the financial statements in accordance with the international auditing standards in force. They will enter into their auditing report their opinion as to whether or not the financial statements reflect the true and reasonable status of the financial situation, performance, and cash flow of the bank, and whether or not the financial statements conform to the accounting, technical, and prudential

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standards issued by the Superintendency. The external auditors will assume full responsibility for the reports they issue.

ARTICLE 83. EXTERNAL AUDITORS DESIGNATED BY THE SUPERINTENDENCY. If the bank does not comply with the designation required by Article 81 within the period designated by the Superintendency, the Superintendency will designate the external auditors and determine their compensation, which shall be at the expense of the bank.

ARTICLE 84. OBJECTIONS TO EXTERNAL AUDITORS. The Superintendency is authorized to refuse or object to the designation of the external auditors when it deems that they do not possess enough experience, specialization or independence.

The Superintendency will not accept auditing reports that contravene this Decree Law and the accounting, technical, and prudential standards established by the Superintendency. In such cases, it is authorized to order the dismissal of the external auditors.

ARTICLE 85. INCLUSION OF BANKING GROUPS. For the purposes of this Chapter, it is understood that all reference to banks includes the banking groups to which the bank belongs.

CHAPTER IX DOCUMENTS AND REPORTS

ARTICLE 86. POWER TO SOLICIT INFORMATION FROM BANKS OR BANKING GROUPS. The Superintendency is authorized to request documentation and reports regarding their operations and activities from any bank, any firm in the banking group, bank holding companies and nonbanking affiliates. To this purpose, each bank must maintain a list in the Superintendency that includes the firms that are part of the banking group and the bank holding company, as well as all nonbanking affiliates, and will inform the Superintendency of any changes that may occur within five business days from the date of the change.

Those firms over which the bank exercises effective control of operations as trustee are exempted from the provisions of this article.

ARTICLE 87. PRESENTATION OF AUDITED FINANCIAL STATEMENTS. General and international license banks must submit their audited financial statements to the Superintendency within three months following the close of each fiscal year complying with the accounting, technical, and prudential standards with respect to operations, issued by the Superintendency. The documentation submitted will be signed by the legal representative of the bank or an agent properly and legally authorized by the bank for this purpose.

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ARTICLE 88. PUBLICATION AND DISPLAY OF AUDITED FINANCIAL STATEMENTS. The banks will publish an unsigned copy of the audited financial statements referred to in the previous article, with their respective explanatory notes, if any, in a newspaper with national circulation in the Republic of Panama, within thirty days following their presentation to the Superintendency, and will display them in all their establishments in Panama for the next ninety days in a place accessible to the general public.

ARTICLE 89. PUBLICATION OF UNAUDITED FINANCIAL STATEMENTS. The banks must submit their unaudited financial statements to the Superintendency within thirty days after the closing of each quarter, complying with the accounting, technical, and prudential standards that the Superintendency may establish.

ARTICLE 90. INTEGRITY OF THE AUDITED FINANCIAL STATEMENTS. If at any time the Superintendency determines that the financial statements do not comply with the requested accounting, technical or prudential standards established by the Superintendency for their submittal, or contain false or inexact information, the Superintendency, by means of a reasoned resolution, will order the bank to withdraw them from display, correct them, and re-publish the corrected version or those explanatory notes that the Superintendency deems necessary. The former is without prejudice to the imposition of sanctions or other measures that may apply.

ARTICLE 91. OTHER REPORTS. All banks must submit the following reports to the Superintendency, in the timeframe and format indicated by the Superintendency:

1. A balance sheet that shows the assets and liabilities and the profit and loss of its establishments in Panama at the close of the last business day of the previous month.
2. A report containing: (a) an analysis and classification of its credit and investment portfolios of its establishments in Panama at the close of operations, and (b) a reconciliation of the capital accounts.
3. Any other information required by the Superintendency, in the frequency determined by the latter and without prejudice to the provisions of Article 93.

ARTICLE 92. PUBLICATION OF INFORMATION. The Superintendency will disclose and publish financial and statistical information on the banking system and on each bank in particular, and may require each bank to disclose specific financial information.

ARTICLE 93. INFORMATION ON LIABILITIES. The Superintendency may obtain information on maturities, concentration, and the geographic distribution of liabilities from each bank, in order to establish its liquidity and identify excessive risks.

The Superintendency may not request the identity of individual depositors of the bank, except when such deposits collateralize assets that are the object of analysis or supervision by the Superintendency.

**CHAPTER X
PROHIBITIONS AND LIMITATIONS**

ARTICLE 94. PROHIBITION ON USING ITS OWN STOCK AS COLLATERAL. Banks are prohibited from granting loans or credit using their own stock or stock of their holding company as the sole collateral.

ARTICLE 95. CONCENTRATION OF OBLIGATIONS IN A SOLE BORROWER. Banks and their holding companies are prohibited from directly or indirectly granting loans, credits or other guarantees to, or contracting any other obligation in favor of, a person or legal entity, including others that form an economic group with that person or legal entity, when the individual or aggregate amount of the obligations would at any time exceed twenty-five percent of the capital funds of the bank.

PROVISO. In the case of banks referred to in Article 97 of this Decree Law, the limit to which the first paragraph of this article refers to will be thirty percent of their capital funds.

ARTICLE 96. CREDIT TO PARTIES RELATED TO THE BANK. Banks and their holding companies are prohibited from:

1. Granting unsecured loans or unsecured credits to any of their employees in an amount greater than the salaries, wages, and other annual emoluments for that employee.
2. Granting loans or credits under more favorable conditions of cost and maturity than are usual in the market for that particular type of operation to their managers, officers and employees, or any person or legal entity that owns five percent of the stock of the bank or its holding company or anyone who forms an economic group with these persons.
3. Directly or indirectly granting unsecured credits that exceed five percent of their capital funds or loans secured with real collateral other than deposits that exceed ten percent of their capital funds, in favor of:
 - a. One or more directors or any person or legal entity that, directly or indirectly, jointly or severally, owns five percent or more of the stock of the bank or its holding company.
 - b. Any legal entity in which one or more directors are directors or officers of the bank or guarantors of the loan or credit.

TRANSLATION

- c. Any legal entity or association of persons, in which the bank, its holding company or one or more of the bank's directors or officers owns, individually or jointly, either a significant interest, a preponderant influence or more than twenty percent of the entity.
- d. Their managers, officers, employees, and their spouses, except residential mortgages for their principal living quarters or secured personal loans granted under personnel benefit plans.

The aggregate of unsecured loans and loans secured with real collateral other than deposits granted by the bank and other firms that make up a banking group to related parties mentioned in this article, may not in any case exceed the percentage of capital funds established periodically by the Superintendency, which will, in no case, exceed twenty-five percent of the capital funds of the bank.

ARTICLE 97. EXCEPTIONS FOR LOANS TO OTHER BANKS. In the case of unsecured loans and other unsecured credits granted by mixed-capital banks headquartered in Panama that are mainly engaged in the granting of loans to other banks, the Superintendency may authorize the total or partial exclusion of these loans or credits from the total of unsecured loans and credits that make up the base for the application of the limits established in paragraph 3 of the previous article.

The aforementioned authorization requires compliance with the following criteria:

1. The stock in the debtor bank held directly or indirectly by any common director or officer may not exceed five percent of the capital of that bank or represent a percentage that might guarantee control of the bank's decisions.
2. The stock in the creditor bank held directly or indirectly by the debtor bank, represented in any way by a common director or officer may not exceed five percent of the total outstanding stock of the creditor bank or represent a percentage that might guarantee control of the bank's decisions.
3. The common director or officer will abstain from participating in the discussions and voting taking place within the creditor bank with respect to the loan or credit subject to the provisions of this article.
4. The loan or credit will comply strictly with the usual prudential parameters of the credit policy of the lending bank.

The Superintendent will determine the amount of the exclusion with respect of each loan or credit submitted for his/her consideration.

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The Superintendent may require any certification he/she deems pertinent and order any inspection necessary for the adequate supervision of the loans and other facilities subject to the provisions of this article.

ARTICLE 98. ECONOMIC GROUPS. The application of the prohibitions contained in Articles 95 and 96 of this Decree Law will take into account the existence of economic groups. However, if an economic group supervenes to the transaction, i.e. the economic group did not exist at the time the obligations were contracted, the bank will not be considered in violation of those articles.

In this case, the Superintendency will grant the bank time to remedy the excess in the applicable limits. However, if it is confirmed that the economic group existed at the time the obligations were contracted, the Superintendency will fine the bank in question according to the provisions of this Decree Law and will order the infraction corrected within a specific period of time.

ARTICLE 99. LIMITATIONS TO BANK PARTICIPATION IN OTHER VENTURES. Banks and bank holding companies are prohibited from acquiring or owning stock or participations in any other ventures not related to the banking or financial business whose aggregate value exceeds twenty-five percent of their capital funds. Investments made by the bank as trustee are excepted, as well as participations or stocks that the bank or the bank holding company has acquired in payment of obligations. In this case, they must be liquidated at the earliest opportunity in accordance with the bank's best economic interests as judged by the Superintendency. The Superintendency may establish a timeline for this action.

PROVISO. Considering the aforementioned limits, banks may not acquire or invest in firms that belong to the same economic group or are related to it, for sums in excess of five percent of their capital funds.

ARTICLE 100. EXCEPTIONS TO LIMITATIONS TO PARTICIPATION IN OTHER VENTURES. The provisions of the previous article are not an impediment to the purchase or sale of securities for a client. Neither are they an impediment to the bank's purchase or sale of securities in any corporation organized to insure bank deposits, stimulate the development of a securities or capital market in Panama or improve the system of financing for economic development, as long as prior authorization of the Superintendency is acquired.

ARTICLE 101. PROHIBITION OF THE PURCHASE OR LEASING OF REAL ESTATE. Banks are prohibited from buying, acquiring or leasing real estate for themselves, except in the following cases:

1. When necessary to carry out their operations or for housing or recreation for their personnel.

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2. When acquiring land to build housing or real estate development with the purpose of selling them, as long as the sale is accomplished within the limits of Article 99.
3. Under exceptional circumstances with prior approval of the Superintendency.

The aforementioned notwithstanding, banks that have accepted real estate as collateral for credits may, in case of non-payment, acquire that real estate to sell at the earliest opportunity, consistent with the banks' economic interests and within the time period that the Superintendency may specify.

When the Superintendency considers it advisable, it may establish general limits to banks' capacity to concentrate risks in any given economic area or sector.

ARTICLE 102. PROHIBITION ON ACCEPTING DEPOSITS. Banks are prohibited from accepting deposits when in a state of insolvency, as well as from accepting any other resources from anyone who might not have been previously informed of the state of insolvency. No employee, director or officer of a bank that has, or should have, knowledge of the insolvency will accept or authorize receipt of deposits or other resources in contravention with the provisions of this article.

ARTICLE 103. MERGERS AND ACQUISITIONS. Without the prior approval of the Superintendency, no bank that engages in the banking business in or from Panama, and no bank holding company may merge or consolidate, neither it may sell, wholly or partially, its assets when such sale would be equivalent to a merger or consolidation.

ARTICLE 104. SCOPE OF THE PROHIBITIONS AND LIMITATIONS. All banks and bank holding companies subject to the home supervision of the Superintendency must comply at all times with the prohibitions and limitations established in this Chapter.

International license banks subject to the host supervision of the Superintendency must comply at all times with the standards of risk concentration and limitations on investments in other ventures set by their home supervisors.

PROVISO. Beginning with the entry into force of this Decree Law, international license banks which do not at that time comply with these provisions will have a period of two years to adhere to these requirements. The Superintendent may nevertheless extend this period by means of a reasoned resolution.

ARTICLE 105. LOANS SECURED BY DEPOSITS. Loans or credits duly secured by a lien on deposits in the same bank up to the value of the collateral are exempted from the provisions of this Chapter.

**CHAPTER XI
INCOMPATIBILITIES**

ARTICLE 106. INCOMPATIBILITIES OF ACCOUNTANTS. No certified public accountant or firm of certified public accountants of which any of its partners or officers is an employee, director or officer of a bank or a bank holding company, or directly or indirectly is or becomes a stockholder or partner of a bank or a bank holding company, may act as an external auditor of that bank or bank holding company.

The aforementioned applies equally to external auditors that are contracted to carry out bank inspections under Article 66.

ARTICLE 107. DISQUALIFICATION OF BANK DIRECTORS AND BANK MANAGERS. Without prejudice to the provisions in the Commercial Code and other legislation in force, any person who holds the position of director or officer or holds a management position in a bank, will cease his/her job and be disqualified from performing in those positions in any bank, if any of the following should occur:

1. The person is declared bankrupt or involved in insolvency proceedings.
2. The person is found guilty of crimes against property or the public trust.
3. The person is found guilty of grievous mismanagement of the affairs of the bank, as determined by the Board of Directors of the Superintendency.

The disqualification will remain in force until that person has been reinstated by the Board of Directors of the Superintendency.

ARTICLE 108. DISQUALIFICATION FROM ACTING AS A DIRECTOR, OFFICER OR MANAGER OF A BANK. Any person who was a director or officer of a bank at the time of its compulsory liquidation, or that participated in the management of a bank and has been found responsible for actions leading to the compulsory liquidation of the bank, may not act as a director or officer or participate in the management of another bank.

ARTICLE 109. NOTIFICATION OF LEGAL PROCEEDINGS TO THE SUPERINTENDENCY. Banks will notify the Superintendency of any civil or criminal proceedings against the bank, as well as all civil or criminal proceedings against any of its directors or high-level management related to the performance of banking activities or to intentional crimes.

Notification will take place within fifteen days after the bank has been notified of the complaint. The Superintendency may require pertinent information or clarification at any time.

Lack of compliance with these provisions will be penalized by the Superintendency as established in this Decree Law.

**CHAPTER XII
RIGHT TO CONFIDENTIALITY**

ARTICLE 110. ADMINISTRATIVE CONFIDENTIALITY. The information related to individual clients of a bank obtained by the Superintendency in the discharge of its functions shall be maintained under strict confidentiality and may only be revealed when required by competent authority in the course of criminal proceedings, as required by legislation in force.

The Superintendency, including all its personnel and external auditors, advisors, interim administrators, reorganizers, and liquidators appointed by the Superintendency must comply with the required confidentiality of all information that may have been supplied to them or that may have been obtained by them as provided for in this Decree Law. Consequently, the Superintendency may not reveal such information to third parties unless required by competent authority as provided for in this article. Exceptions to these provisions are those reports or documents that, in conformity with this Decree Law and because of their nature, are of a public character and those that must be submitted in compliance with criminal legislation on Prevention of Money Laundering, the Financing of Terrorism, and related crimes.

Public employees who, because of their positions, have access to information subject to this article, are obligated to safeguard its confidentiality, even after their employment has ceased.

Excluded from the provisions of this article is the information that, because of consolidated supervision, must be shared by the Superintendency with foreign supervisory bodies under Articles 64 and 65 of this Decree Law.

ARTICLE 111. BANKING CONFIDENTIALITY. Banks may only release information about their clients or their operations with their clients' consent. Banks will not require their clients' consent in the following cases:

1. When the information is required by competent authority in accordance with existing legislation.
2. When, on their own initiative, banks must supply the information in compliance with criminal legislation on Prevention of Money Laundering, the Financing of Terrorism, and related crimes.
3. When the information is supplied to rating agencies for risk analysis.

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4. When the information is supplied to data processing centers for accounting and operating purposes.

In the case of paragraphs 3 and 4 above, the obligation to safeguard the confidentiality of the information supplied is transferred in full to the recipients.

CHAPTER XIII PREVENTION OF MONEY LAUNDERING, THE FINANCING OF TERRORISM, AND RELATED CRIMES

ARTICLE 112. CRIME PREVENTION. Banks and other entities supervised by the Superintendency are obligated to establish policies and procedures and the internal control structures to prevent their services being used improperly for criminal purposes in Money Laundering, the Financing of Terrorism, and other crimes that are related or similar in nature or origin.

The Superintendency will establish the framework for the scope, functions, and proceedings of this compliance structure.

ARTICLE 113. SUBMITTING INFORMATION. Banks and other entities supervised by the Superintendency will submit the information required by law, decrees, and other regulations in force in the Republic of Panama for the Prevention of Money Laundering, the Financing of Terrorism, and other crimes that are related or similar in nature or origin. Furthermore, they are obligated to submit this information to the Superintendency whenever it may so require.

ARTICLE 114. “KNOW YOUR CUSTOMER” AND “KNOW YOUR EMPLOYEE” POLICIES. Banks and other entities supervised by the Superintendency will adopt policies, practices, and procedures that will allow them to know and identify their clients and their employees with the greatest certainty possible, as part of the process of prevention referred to in this Chapter and its regulations. The Superintendency is authorized to develop the relevant standards, in conformity with policies and regulations in force in the country.

CHAPTER XIV VOLUNTARY LIQUIDATION

ARTICLE 115. REQUIREMENT FOR PRIOR AUTHORIZATION. Any bank may enter into voluntary liquidation as long as it receives prior authorization from the Superintendency. The Superintendency will grant authorization as long as the bank possesses sufficient assets to satisfy all its liabilities.

ARTICLE 116. REQUIREMENTS FOR A VOLUNTARY LIQUIDATION. A bank requesting authorization for a voluntary liquidation from the Superintendency must submit the following documents:

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1. A properly legalized resolution from the appropriate authority designated in its charter, approving the liquidation.
2. A liquidation plan.
3. Financial statements for the last fiscal period or a period determined by the Superintendency, audited by an independent external auditor.
4. All other documents that may be required by the Superintendency.

ARTICLE 117. ANNOUNCEMENT. Once the liquidation is authorized, the bank must publish the resolution issued by the Superintendency in a newspaper with broad national circulation for five consecutive business days. This announcement must be made within fifteen days following the date in which the bank is notified of the resolution. Additionally, and within thirty days following the date in which the resolution is announced, the bank must send notice of liquidation to each depositor, creditor and interested party.

ARTICLE 118. CESSATION OF OPERATIONS. Once granted the authorization for voluntary liquidation, the bank will cease operations, and its powers and rights will be limited to those strictly necessary to carry out the liquidation, collect its receivables, reimburse its depositors, pay its creditors and, in general, terminate all its business dealings. Notwithstanding the above, the bank may carry out the following activities for up to fifteen (15) calendar days following the date of the last publication of the resolution required in the previous article:

1. Pay all checks drawn against current accounts.
2. Act as collecting agent for other banks or financial institutions located offshore and remit the funds collected to those institutions.
3. Other concomitant activities authorized by the Superintendency.

The authorization to liquidate will not impair the right of depositors or creditors to collect the value of their claims in full or the right of the titleholders of funds or other assets to recover these. All legitimate claims of creditors and depositors must be paid and all off-balance funds and other assets excluded from the total assets in the possession of the bank must be returned to their owners within the period indicated by the Superintendency in the authorization to liquidate.

The bank will negotiate the assignment to other banks of the loans and credits of those clients who desire to do so under the same conditions originally contracted.

ARTICLE 119. DESIGNATION OF THE LIQUIDATOR. The bank will designate a liquidator or liquidators with the prior approval of the Superintendent. They may be

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members of the management of the bank, but must have a minimum of five years of management experience in the banking sector.

During the voluntary liquidation, the liquidator or liquidators are obligated to furnish the Superintendency whatever reports it requires on the status of the liquidation as often as it requires them.

ARTICLE 120. PROHIBITION ON ASSET DISTRIBUTION. The bank which decides to liquidate voluntarily may not distribute any assets whatsoever to its stockholders until it has complied with its obligations to all depositors and other creditors according to the liquidation plan approved by the Superintendency.

In the case of credits subject to litigation, the liquidator will consign the funds subject to litigation to the court of record, so that they may be disbursed in accordance with the court's decision in the case.

In the case of proceedings in which the bank is the defendant, the liquidator will consign the funds subject to litigation to the court of record in cash, insurance bonds or bank letters of guarantee as a surety bond. If the bank is acquitted or if there is a balance in favor of the bank, these funds will be returned to the bank.

If the process of liquidation were completed, making it impossible to return the funds to the bank or its stockholders, the Superintendency will be notified of the existence of these funds and they will be deposited in the Banco Nacional de Panamá.

Banco Nacional de Panamá is under an obligation to restate these funds to their owners if they are claimed within ten years from the date in which they were transferred to the bank. However, the restitution will be made without interest. Once this period has passed, the funds will be transferred to the National Treasury.

ARTICLE 121. OBLIGATIONS OF THE LIQUIDATOR. During the voluntary liquidation, the liquidator or liquidators are under the following obligations:

1. Inform the Superintendency on the status of the liquidation as often as the Superintendency wishes.
2. Notify the Superintendency if the assets of the bank are insufficient to cover the liabilities. In this case the Superintendency will proceed in accordance with the provisions of Chapter XVI "Administrative and Operating Control of the Bank"

ARTICLE 122. TERMINATION OF THE VOLUNTARY LIQUIDATION. Once the liquidation process is fulfilled according to the liquidation plan approved by the Superintendency, the Superintendency will cancel the respective banking license.

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Once the resolution canceling the license is announced, the Superintendency will proceed immediately to send a copy of the resolution to the Director General of the Public Registry of Panama so that the latter may insert the corresponding marginal annotation provided for in Article 44, and to publish the resolution in a newspaper with broad national circulation for three consecutive business days.

ARTICLE 123. UNCLAIMED ASSETS AND SECURITIES. Unclaimed assets and securities will be liquidated and sold on the Stock Exchange or in private auction, as applicable, one year after termination of the liquidation process. The proceeds of the sale will be deposited in the Banco Nacional de Panamá in the name of the owners.

By the same token, if there are any unclaimed liabilities at the end of the liquidation process, the liquidator will transfer them to the Banco Nacional de Panamá.

In all aforementioned cases, Banco Nacional de Panamá is under obligation to make restitution of these funds to their owners if they are claimed within ten years from the date in which they were transferred to the bank. However, the restitution will be made without interest. Once this period has passed, the funds will be transferred to the National Treasury.

CHAPTER XV CORRECTIVE MEASURES

ARTICLE 124. ADVISOR. If, based on the information he/she possesses, the Superintendent determines that there exists or may exist a deterioration or operating, administrative or financial weakness in a bank, he/she may, in addition to any immediate measures he/she may require of the bank, order the bank to appoint one or several persons that meet the required background and experience to advise the bank on specific or general measures that must be taken to correct the deterioration or weakness.

The Superintendent will determine the compensation that the bank will pay the advisor.

In no case may the advisor be a director, officer, member or employee of an external auditing firm that has participated in one of the inspections described under Article 66. Employees of the Superintendency, as well as persons that have participated in an inspection, and their partners or employees, if any, are equally disqualified from acting as advisors to the bank. The advisor is under the obligation to maintain strict confidentiality regarding the information and documentation to which he/she may have access in the course of his/her employment.

ARTICLE 125. POWERS OF THE ADVISOR. The advisor will have the powers determined in writing by the Superintendent at the time he/she orders the advisor or at some later date, and those that are inherent in the tasks assigned to him/her. In any case, it is understood that the advisor will have access to all documents, minutes, correspondence and records of the bank, so that he/she may carry out a proper evaluation of any irregularities or

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unusual acts that may have caused the operating, administrative or financial weakness of the bank that motivated his/her appointment.

On his/her own initiative or at any time during the advisory process, the Superintendent may order or implement preventive, restrictive or limiting measures to protect the interests of the depositors, and may delegate these powers to the advisor.

ARTICLE 126. TERM OF THE ADVISOR. The advisor will be appointed for a period of up to thirty days. The Superintendent may extend this term for exceptional reasons.

During the term of the advisor, the legal representation and management of the bank continues to belong to its stockholders, directors, and officers.

ARTICLE 127. PERIODIC REPORTS. The advisor will submit reports to the Superintendent, with a copy to the bank, with the frequency that the Superintendent considers necessary. The report will contain as a minimum a detailed and accurate account of the bank's situation regarding those irregularities which caused his/her appointment. Any action or omission of the employees of the bank that obstructs the work of the advisor, as determined by him/her, or that obstructs the execution of the preventive or corrective measures ordered by the Superintendency, will cause the immediate dismissal of those employees, without prejudice to other administrative sanctions that the Superintendent may impose on the bank at his/her discretion.

ARTICLE 128. FINAL REPORT. At the end of the term for which he/she was appointed, the advisor will submit a final report which will contain his/her considered opinion regarding the condition of the bank and his/her recommendations to rectify the circumstances which motivated his/her appointment.

ARTICLE 129. EVALUATION OF THE ADVISOR'S RECOMMENDATIONS. The Superintendent will have fifteen days to evaluate the advisor's recommendations and adopt those measures that he/she considers advisable. The advisory process will continue during this period, enabling the Superintendent to call upon the advisor as many times as the Superintendent considers necessary for additional explanation of his/her work.

ARTICLE 130. APPLICATION OF CORRECTIVE MEASURES. The Superintendent is authorized to impose the corrective measures that he/she deems pertinent on the bank, and the bank will have fifteen days to analyze them and submit a timeline for their execution for the approval of the Superintendent. Once adopted, the bank will implement the corrective measures for the period determined by the Superintendent while maintaining the management of the bank under the responsibility of its Board of Directors until the Superintendent evaluates the results of the corrective measures. If, at the end of this period, the bank has not complied with the measures ordered by the Superintendent, he/she will immediately take the applicable legal or administrative measures.

**CHAPTER XVI
ADMINISTRATIVE AND OPERATING CONTROL OF THE BANK**

ARTICLE 131. SEIZURE OF ADMINISTRATIVE AND OPERATING CONTROL.

In order to defend the best interests of a bank's depositors and creditors, the Superintendency may assume administrative and operating control of a bank, including possession of its assets and seizure of its management, by means of a reasoned resolution in conformity with the grounds established in Article 132.

ARTICLE 132. GROUNDS FOR SEIZURE. The Superintendent may seize administrative and operating control of a bank based on any of the following grounds:

1. Upon a reasoned request of the bank itself.
2. If the bank cannot continue operations without endangering the interests of the depositors.
3. As a consequence of the evaluation of the report submitted by the appointed advisor.
4. Noncompliance with the measures ordered by the Superintendency as provided for in Article 130.
5. If the bank carries out its operations in an illegal, negligent or fraudulent manner.
6. If the bank has suspended payment on its obligations.
7. If the Superintendency confirms that the capital adequacy, solvency or liquidity of the bank has deteriorated so as to require the Superintendency's action.

ARTICLE 133. DESIGNATION AND TERM OF THE INTERIM ADMINISTRATOR.

At the moment of seizing administrative and operating control of the bank, the Superintendent will designate a competent interim administrator to exercise exclusive legal representation of the bank on behalf of the Superintendency. The term of the interim administration will not be longer than thirty days, except when due to exceptional reasons and a prior reasoned request of the administrator, the Superintendent decides to extend it. In this case, the extension shall not be longer than thirty days. The interim administrator may be an employee of the seized bank.

ARTICLE 134. NOTICE AND NOTIFICATION OF THE SEIZURE OF ADMINISTRATIVE AND OPERATING CONTROL.

The Superintendent will order the posting of a notice in a public and visible place in the main establishment and branches of the seized bank. This notice will contain a copy of the resolution that orders the seizure of administrative and operating control and the designation of the interim administrator. The resolution will also indicate the time at which the seizure of administrative and

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operating control will be made. This time may not, in any case, be prior to the time that the notice is posted.

The aforementioned notice will remain in place for a period of five business days and the copy of the resolution will remain in place for as long as the seizure of control lasts. The notification required by law is recognized as complete at the conclusion of five business days from the time that the notice is posted at the bank's main establishment. Once the notice has been posted, the resolution will be published for five business days in a newspaper with broad national circulation.

ARTICLE 135. MEANS OF IMPUGNING THE RESOLUTION ORDERING THE SEIZURE OF ADMINISTRATIVE AND OPERATING CONTROL. The Superintendent's resolution ordering the seizure of administrative and operating control may be impugned by means of an appeal to the Third Chamber of the Supreme Court of Justice, which has full jurisdiction over administrative litigation. The filing of the appeal against the resolution of the Superintendent ordering the seizure of administrative and operating control does not suspend the seizure of control or its effects, because the seizure protects a social interest.

ARTICLE 136. POWERS OF THE INTERIM ADMINISTRATOR. The interim administrator will have the powers determined by the Superintendent at the time he/she is designated or at a later date, as well as those that are inherent in the tasks assigned to him/her. In any case, it is understood that the interim administrator will have access to all documents, minutes, correspondence and records of the bank.

Among the powers that the interim administrator may have are the following:

1. To stop or limit payment of the bank's obligations, during a period that will not in any case exceed the period of seizure of control.
2. To employ any additional personnel necessary and to dismiss those employees whose fraudulent or negligent actions have motivated the seizure of control.
3. To attend to the bank's correspondence.
4. Any other powers requested by the interim administrator and approved by the Superintendent.
5. Any additional powers which the Superintendent considers necessary.

ARTICLE 137. SUSPENSION OF DEADLINES. For as long as the Superintendency maintains a bank under administrative and operating control, the statute of limitations related to all of the rights and legal actions to which the bank is a principal, and the deadlines of all trials and proceedings to which the bank is a party, are suspended. These deadlines and limits will remain suspended until the period of administrative control ends.

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An exception exists when a compulsory liquidation of the bank is ordered. In this case the provisions of Article 159 of this Decree Law are applicable, with the exception of those whose purpose is to foreclose on a pledge, mortgage or other property rights.

ARTICLE 138. PROHIBITION OF ATTACHMENT, EMBARGO OR WITHHOLDING. The assets of a bank under the administrative and operating control of the Superintendency shall not be subject to attachment, embargo or withholding or any other injunctions. Likewise, the seizure of administrative control suspends the statute of limitations on all credits and rights of the bank beginning on the date of the notice described in Article 134, except those embargoes whose purpose is to foreclose on a pledge, mortgage or other property rights.

ARTICLE 139. EXPENSES OF THE SEIZURE OF ADMINISTRATIVE CONTROL. All expenses incurred by the seizure of control, including the compensation and benefits of the interim administrator determined by the Superintendent, will be the responsibility of the bank under administrative and operating control.

Debts of the bank under administrative control that originated before the seizure of administrative and operating control shall not be paid without the authorization of the Superintendent.

ARTICLE 140. TERMINATION OF ADMINISTRATIVE CONTROL. Upon expiration of the period of administrative control, the Superintendent will decide whether to bank should be reorganized, liquidated under the provisions of this Decree Law, or returned to the administrative and operating control of the directors or legal representatives of the bank, as may be the case.

CHAPTER XVII REORGANIZATION OF THE BANK

ARTICLE 141. REORGANIZATION. The Superintendent will decide if a bank should be reorganized, based on taking the measures and adopting the changes necessary to protect the best interests of the depositors and creditors.

ARTICLE 142. REORGANIZATION APPROVAL. In the resolution ordering the reorganization, the Superintendent determines the following:

1. The designation of a reorganizer or a reorganization committee, made up of up to three members who shall not have direct or indirect relationships among themselves up to the fourth degree of consanguinity or with the bank or the bank holding company. The reorganizer or the reorganization committee will have exclusive responsibility over the administration and control of the bank while the reorganization lasts and will be accountable to the Superintendency. In the case of a reorganization committee, at least one of its members must have a minimum of five years of experience in the banking or financial sector. In the case of a reorganizer,

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he/she must have a minimum of five years of experience in the banking or financial sector. The Superintendency will designate the person who will preside over the reorganization committee.

2. The instructions for the removal of any director, officer, executive, manager or other employee considered necessary.
3. The time period within which the reorganization shall be completed. This deadline may be advanced or postponed by the Superintendency based on a reasoned request of the reorganizer or the reorganization committee.

ARTICLE 143. REORGANIZATION NOTICE. The Superintendent will order the posting of a notice in a public and visible place in the main establishment of the bank and its branches. This notice will contain a copy of the resolution ordering the reorganization of the bank. The resolution will also indicate the time at which the reorganization will begin. This time may not, in any case, be prior to the time that the notice is posted.

ARTICLE 144. NOTIFICATION OF THE ORDER OF REORGANIZATION. The notice mentioned in the previous article will remain in place for a period of five business days, and the copy of the resolution will remain in place for as long as the reorganization lasts. The notification required by law is recognized as complete at the conclusion of five business days from the time that the notice is posted. Once the notice has been posted, the resolution will be published for five business days in a newspaper with broad national circulation.

ARTICLE 145. POWERS OF THE REORGANIZER. The reorganizer or the reorganization committee shall have the broadest powers to conduct the reorganization of the bank. Among these powers are the following:

1. To amortize all losses against primary and secondary capital, as well as to determine the value of the stock at that point in time.
2. To appoint new managers.
3. To authorize the issuance of new stock, as well as its sale to third parties at a price determined by the reorganizer or the reorganization committee.
4. To negotiate and execute the merger or consolidation of the bank with one or more banks, the obtainment of loans for the bank, the sale or partial liquidation of the bank's assets or the acceptance of liens over these assets, according to criteria developed by the Superintendency.
5. To recommend the compulsory liquidation of the bank to the Superintendency.

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6. Any other powers needed for specific purposes, when requested and justified by the reorganizer or reorganization committee and approved by the Superintendent.
7. Any additional powers which the Superintendency considers necessary.

ARTICLE 146. REORGANIZATION PLAN AND REPORTS. The reorganizer or the reorganization committee will prepare a reorganization plan containing the general guidelines necessary to bring the bank back to safe and efficient operation, and a schedule for its execution. The plan will consider the interests of the depositors and creditors, and the stockholders and partners. The plan will be presented, within a maximum of thirty days, which may be extended for up to thirty additional days.

The reorganization plan must be approved or disapproved by the Superintendent of Banks. Approval may be subject to conditions, modifications or instructions determined by the Superintendent.

The reorganizer or reorganization committee will submit reports to the Superintendent as often as the latter considers necessary, containing at a minimum, a detailed and accurate description of the bank's situation.

If, during the reorganization, situations develop or become evident which make the implementation of the reorganization plan unsuitable or infeasible, the Superintendency may modify the reorganization plan or order the compulsory liquidation of the bank.

ARTICLE 147. PUBLICATION AND MANDATORY CHARACTER OF THE REORGANIZATION PLAN. The implementation of the reorganization plan will be preceded by its publication during five consecutive business days in a newspaper with broad national circulation and will be mandatory for all stockholders and creditors of the bank while it remains in force.

ARTICLE 148. MERGER, CONSOLIDATION OR SALE OF THE BANK. In the event of a merger, consolidation or sale of the bank under reorganization, the reorganizer or the reorganization committee may, with the approval of the Superintendent, determine a time period during which pre-existing deposits may not be withdrawn. During this time the deposits will earn interest at the average market rate for that period, as determined by the Superintendency.

ARTICLE 149. SUSPENSION OF DEADLINES. For as long as the Superintendency maintains a bank under reorganization, the statute of limitations related to all of the rights and legal actions to which the bank is a principal, and the deadlines of all trials and proceedings to which the bank is a party are suspended. These deadlines and limits will remain suspended until the period of the reorganization ends. An exception exists when a compulsory liquidation of the bank is ordered. In this case the provisions of Article 159 of this Decree Law are applicable, with the exception of those whose purpose is to foreclose on a pledge, mortgage or other property rights.

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During the reorganization process, the stockholders of the bank, its board of directors, management, and authorized agents shall be disqualified from making decisions. The Superintendency will inform the Public Registry of Panama and other corresponding authorities of the disqualification of the stockholders, directors, officers, and authorized agents. The same communication will be sent to the correspondent banks of the entity under reorganization.

ARTICLE 150. PROHIBITION OF ATTACHMENT, EMBARGO OR WITHHOLDING. The assets of a bank under reorganization shall not be subject to attachment, embargo or withholding or any other injunctions. Likewise, the reorganization suspends the statute of limitations on all credits, rights, and actions of the bank beginning on the date of the notice described in Article 143.

Neither shall debts of the bank under reorganization that were originated before the reorganization be paid without the authorization of the Superintendency, except those related to foreclosure on a pledge, mortgage or other property rights.

ARTICLE 151. MEANS OF IMPUGNING THE RESOLUTION OF REORGANIZATION. The Superintendent's resolution ordering the reorganization may be impugned by means of an appeal to the Third Chamber of the Supreme Court of Justice, which had full jurisdiction over administrative litigation. The filing of the appeal against the resolution of the Superintendent ordering the reorganization does not suspend the reorganization or its effects, because the reorganization protects a social interest.

ARTICLE 152. REORGANIZATION EXPENSES. All expenses incurred by the reorganization, including the compensation and benefits of the reorganizer or reorganizers determined by the Superintendency, will be the responsibility of the bank under reorganization.

ARTICLE 153. TERMINATION OF THE REORGANIZATION. The state of reorganization will end upon expiration of the period determined for that purpose or its extension. In those cases in which the reorganization has not been satisfactorily completed or at any other time the Superintendent considers it necessary, either because the bank is insolvent or because some other reason makes its recovery impossible or extremely difficult, the Superintendent will terminate the reorganization and order the compulsory liquidation of the bank.

If the reorganization were to be concluded satisfactorily, the Superintendent will surrender the bank to its directors or legal representatives, as may be the case.

**CHAPTER XVIII
COMPULSORY LIQUIDATION**

ARTICLE 154. ORDER OF LIQUIDATION. If the Superintendent considers that the compulsory liquidation of a bank is necessary, he/she will issue a reasoned resolution by means of which he/she will order the administrative liquidation of the bank and will designate one or more liquidators that must comply with the same requirements necessary to act as interim administrators of a bank.

ARTICLE 155. DESIGNATION OF THE LIQUIDATOR OR BOARD OF LIQUIDATORS. At his/her discretion and depending on the complexity of the bank, the Superintendent will designate a liquidator or a board of liquidators made up of up to three persons, none of whom may have any direct or indirect relationship with the bank or among themselves to the fourth degree of consanguinity. The liquidator or the board of liquidators will exercise exclusive legal representation, administration, and control of the bank, and will be accountable to the Superintendent. In the case of a board of liquidators, at least one of its members must have a minimum of five years of experience in banking or finance. In the case of a sole liquidator, he/she must have a minimum of five years of experience in banking or finance. The Superintendent will designate the chairman of the board of liquidators.

The liquidator or the board of liquidators will depend functionally on the Superintendent of Banks and will be accountable for his/her/their actions to the Board of Directors through the Superintendent. In addition, he/she/they will set up and maintain the record of his/her/their management in an orderly and easily verifiable manner.

The liquidator or the board of liquidators will guide the compulsory liquidation process, keeping in mind the following criteria:

1. The celerity required to liquidate the assets of the bank and satisfy the existing debts in as little time as possible and in accordance with the standards set by the Superintendency.
2. The diligence, simplicity, and transparency that the process requires.
3. The respect for the rights and precedence recognized by this Decree Law.

ARTICLE 156. COMPULSORY LIQUIDATION NOTICE. The Superintendent will order the posting of a notice in a public and visible place in the main establishment of the bank and all its branches. This notice will contain a copy of the resolution ordering the compulsory liquidation of the bank. The resolution will also indicate the time at which the liquidation will begin. This time may not, in any case, be prior to the time that the notice was posted.

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ARTICLE 157. NOTIFICATION OF THE ORDER OF COMPULSORY LIQUIDATION. The notice referred to in the previous article will remain in place for at least five business days and as long as the process of liquidation lasts. The notification required by law is recognized as complete at the conclusion of five business days from the time that the notice is posted.

Once the notice has been posted, the resolution shall be published for five business days in a newspaper with broad national circulation.

ARTICLE 158. MEANS OF IMPUGNING THE RESOLUTION OF COMPULSORY LIQUIDATION. The Superintendent's resolution ordering the compulsory liquidation may be impugned by means of an appeal to the Third Chamber of the Supreme Court of Justice, which had full jurisdiction over administrative litigation. The appeal must be filed within fifteen business days following the notices provided for in this Chapter. The filing of the appeal against the resolution of the Superintendent ordering the compulsory liquidation does not suspend the liquidation or its effects, because the liquidation protects a social interest.

ARTICLE 159. SUSPENSION OF DEADLINES. When a bank is under compulsory liquidation, the statute of limitations related to all of the rights and legal actions to which the bank is a principal, and the deadlines of all trials and proceedings to which the bank is a party, are suspended for up to six months. There is an exception when the purpose of the proceeding is to foreclose on a pledge, mortgage or other property rights. The bank may waive this right in those cases in which it is considered advantageous to the liquidation.

ARTICLE 160. SUSPENSION OF INTEREST. As of the date of the resolution ordering the compulsory liquidation, all interest shall cease to accrue on all obligations of the bank under liquidation, with the exception of those secured by a pledge or mortgage on assets of the bank. In this case, the creditors may require the current interest on their credits up to the amount covered by the lien.

ARTICLE 161. PAYMENT OF PRIMARY DEPOSITS AND OTHER OBLIGATIONS. In order to maintain trust in the banking system, the liquidator or the board of liquidators will pay all deposits and other obligations described in paragraphs 1 and 2 of Article 167 of this Decree Law within fifteen days following the date in which the resolution ordering the liquidation enters into force. These payments shall be made in accordance with the information in the bank's books, using the available liquid assets until exhausted. These disbursements shall be made prior to the recognition of obligations described in Articles 162 and 163.

ARTICLE 162. APPEARANCE OF DEPOSITORS AND OTHER CREDITORS AT THE LIQUIDATION. The resolution ordering the liquidation requires the depositors and other creditors to present their claims in person. The depositors and creditors may appear at any time prior to the liquidator or the board of liquidators issuing the report described in the following article. In no case shall the report be issued in less than thirty or more than sixty

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days from the date of the last publication of the notice referred to in Article 157. Nevertheless, the failure to appear shall not affect any obligations properly recorded in the bank's registers.

ARTICLE 163. PRELIMINARY REPORT. The liquidator or the board of liquidators will issue a preliminary report, which will contain the following information:

1. The names of the creditors of the bank.
2. Title to, or proof of, the obligations and their precedence.
3. Identification of the debtors of the bank.
4. A general statement of debits and credits, identifying the losses which are to be charged to capital funds.

PROVISO. The liquidator will publish a list of debtors and creditors so that they may appear before the liquidation is completed. The list will be published for three business days in a newspaper with national circulation, and during the entire period of the liquidation on the websites of the bank and the Superintendency. Creditors will have thirty days beginning after the last publication to request clarifications or present any objections they may have.

ARTICLE 164. RESOLUTION OF OBJECTIONS. Once the thirty day period referred to in the previous article is over, the liquidator or the board of liquidators will issue as many reasoned resolutions as they deem necessary to adjudicate all objections submitted and to provide the following:

1. The identification of the assets to be liquidated.
2. An inventory of all recognized and rejected deposits and other obligations specifying their type and amount.
3. The precedence with which the obligations of the bank will be paid.

Likewise, in a separate file, the liquidator or board of liquidators will issue a resolution containing the list of the assets excluded from the assets subject to liquidation.

Each of the resolutions referred to in this article must be published in a newspaper with national circulation for five business days and may be impugned through the incidental procedure to the Third Chamber of the Supreme Court of Justice within five business days following the last publication of the resolution. The proceedings will take place before the liquidator or the board of liquidators who, at his/her/their discretion, may order the joinder of proceedings that have common causes, parts or pretensions.

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Having completed the judicial formalities, the liquidator or the board of liquidators will remit the records and an explanatory report on his/her/their resolution to the Third Chamber of the Supreme Court of Justice for the purpose of final adjudication. In consideration of the social interest surrounding the compulsory administrative liquidation of banks, those impugnments remitted by the liquidator or the board of liquidators to the Third Chamber of the Supreme Court of Justice should take precedence over all administrative litigation.

ARTICLE 165. THE ASSETS SUBJECT TO LIQUIDATION. The assets subject to liquidation are made up of all assets and rights, present and future, of a bank in liquidation. Excluded from the assets subject to liquidation are:

1. All documents delivered to the bank for collection and those that have been acquired for the accounts of third parties, as long as they have been issued or endorsed directly in favor of the constituent or trustee.
2. All monies or assets delivered to the bank on a commission, mandate or trust as long as there exists written proof of contract on the date the liquidation was ordered. This includes severance funds, pension and retirement funds, and other monies that the bank administers. The administration of trusts may be delegated to third parties properly trained to that end.
3. In general, all identifiable monies that, although in the possession of the bank, have been sufficiently proven to belong to a third party.
4. The sums that the bank must return because they were received in exchange for securities and other assets belonging to third parties that the liquidator may have sold.
5. Goods and assets deposited in safe deposit boxes and, in general, all securities and other personal property that the bank may maintain in its possession as custodian or depositary.

The liquidator or the board of liquidators must return these assets excluded from the assets subject to liquidation to their owners as soon as they are identified. The liquidator will return the assets or goods in accordance with the bank's books.

ARTICLE 166. DEBTS INCLUDED IN THE ASSETS SUBJECT TO LIQUIDATION. The following are considered debts included in the assets subject to liquidation:

1. Those judicial or extrajudicial operational expenses incurred in the common interest of the creditors to verify or confirm and liquidate the assets and obligations of the liquidation; for the management, conservation and sale of the assets of the bank, and for the distribution of the proceeds, including the fees or remuneration of the

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liquidator or board of liquidators and the trustee referred to in Articles 168 and 169, the salaries of the employees hired for the liquidation and the operating expenses of the bank.

2. All those debts resulting from acts or contracts legally executed or entered into by the liquidator or board of liquidators, or the trustee.
3. The sums that the bank must return due to the resolution or termination of any act or contract of the bank and the indemnities due to the holders in good faith of assets the liquidation may recover or reclaim.
4. Credits arising in favor of the banks in the system because of the bank's inability to cover claims in the Clearing House.
5. Current national and municipal taxes.

The debts included in the assets subject to liquidation must be paid with precedence over any other obligation of the bank except obligations secured by pledge, mortgage or other property rights referred to in Article 176.

ARTICLE 167. ORDER OF PRECEDENCE. Except when covered by provisions contained in other articles of this Decree Law, the obligations of the bank will be paid in the following order of precedence during the liquidation:

1. New deposits taken during the period of reorganization.
2. Deposits for ten thousand balboas or less. If there were two or more deposits in this category belonging to the same person, only the largest of them shall be paid, up to the sum of ten thousand balboas. This amount may be modified by the Superintendency.
3. Labor obligations.
4. The Social Security contributions withheld from employees and owed to the Social Security fund.
5. Taxes due to the National Treasury or the municipalities, as well as obligations due for public services supplied by the State.
6. The rest of the deposits and other obligations.

Payment of the obligations within each category will be prorated. Each category will be satisfied to the extent that the bank's assets permit, prior to paying the next category on the list.

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The obligations recognized by a court judgment or by an arbitration award will be paid in their corresponding category, according to their nature and any prorating within that category.

No other order of precedence or preference established in other legislation shall be applicable to the payment of bank obligations.

ARTICLE 168. POWERS OF THE LIQUIDATOR OR BOARD OF LIQUIDATORS.

The liquidator or the board of liquidators shall have the following powers:

1. To stop or limit payment of the bank's obligations and of the debts of the assets subject to liquidation subject to the availability of funding.
2. To employ the necessary personnel and dismiss those employees whose fraudulent or negligent behavior has created or abetted the conditions leading to the liquidation, as well as those employees that are no longer needed due to a reduction in the activities of the bank.
3. To manage the bank's correspondence and issue any document on behalf of the bank.
4. To manage, control, and safeguard the bank's assets.
5. To assign or sell assets according to their marketable value, net of provisions, reserves, and any other adjustment required by the Superintendency, according to the existing prudential norms and regulations.
6. To transfer totally or partially the assets and liabilities of the bank to an institution licensed to exercise the trust business in Panama, with the prior authorization of the Superintendency.
7. To execute those acts and enter into those agreements within the scope of his/her/their responsibilities that would permit the initiation, fulfillment, and execution of the liquidation through the transfer of assets and liabilities and/or a trust fund.
8. To establish in the trust contract the requirements, terms and conditions for the proper liquidation of assets and liabilities transferred to the trust fund.
9. Any other power which may be authorized by the Superintendent for a specific purpose based on a justified request from the liquidator or the board of liquidators.

ARTICLE 169. AUTHORITY FOR A TRUST FUND. When the Superintendent considers that the marketable value of the assets subject to liquidation and the opportunity and probability of recovery of the debts do not justify the cost of the liquidation, he/she

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may order the liquidator or the board of liquidators to transfer the remaining assets and liabilities of the bank to a trust company.

The assets so transferred will be taken at their marketable value, net of provisions, reserves, and any other adjustment that the Superintendent may determine according to existing prudential norms and regulations.

The liabilities will be taken prorated according to the marketable value of the transferred assets.

ARTICLE 170. OBLIGATIONS OF THE TRUSTEE. The trustee will have the following obligations:

1. To issue the negotiable participation certificates which give their titleholders the rights therein described and representing their aliquot of the estate transferred to the trust. The participation certificates will be issued as registered certificates.
2. To pay the obligations of the liquidation.
3. To manage the sale and collection of all property, rights, and other assets of the bank in the most advantageous conditions possible.
4. To manage the credit portfolio and the corresponding collection efforts.
5. In general, to manage the transferred assets and liabilities.
6. To issue the monthly reports required by the Superintendency.
7. Any other requirement that the Superintendency may establish.

ARTICLE 171. INAPPLICABILITY OF SECURITIES LEGISLATION. The trust fund referred to in Article 169 of this Decree Law and the negotiable participation certificates and their issuance referred to in Article 170 will not be subject to the provisions of Decree Law 1 of 1999.

ARTICLE 172. CESSATION OF FUNCTIONS OF THE LIQUIDATOR OR BOARD OF LIQUIDATORS. Once the responsibilities for which they were appointed have been fulfilled and all the assets have been transferred to the trust fund, the liquidator or board of liquidators will cease in their functions.

ARTICLE 173. REINITIATING THE PROCESS OF LIQUIDATION. If after the termination of the liquidation of a bank information regarding the existence of assets or property rights of said bank were to be found, the Superintendent will order the reinstatement of the liquidation process, designate a liquidator with the purpose of

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inventorying those assets, and transferring them to the trust fund to which the remaining assets and liabilities of the original liquidation were transferred.

Those parties that consider themselves adversely affected by the corresponding resolution may impugn or challenge it by means of a request for reconsideration to the Superintendent or an appeal to the Board of Directors of the Superintendency.

ARTICLE 174. TERMINATION OF CONTRACTS. As of the date in which the resolution ordering the compulsory liquidation enters into force, the liquidator or the board of liquidators may terminate all leases and all service, administrative and operating contracts, including all compulsory and discretionary arbitration clauses contained in those contracts. As of the date of the entry into force of the resolution, the bank in liquidation may not be sued or prosecuted for the breach of those contracts, and the penalty clauses contained in them shall not be applicable.

ARTICLE 175. PROTECTION AGAINST LITIGATION. Once the resolution ordering the liquidation of a bank enters into force, the bank may not be sued or prosecuted or become a party to an arbitration process.

ARTICLE 176. OBLIGATIONS SECURED BY PLEDGE, MORTGAGE OR OTHER PROPERTY RIGHTS. The obligations secured by pledge, mortgage or other property rights will have precedence over all other obligations with respect to the encumbered assets, up to their marketable value, except for monies owed to the State as real estate taxes on the encumbered real estate.

The creditors may claim these credits in the liquidation or may demand them separately through the corresponding judicial or extrajudicial proceedings.

ARTICLE 177. LEASING CONTRACTS. With respect to those assets leased by the bank in accordance with a leasing contract, the corresponding leasing legislation will apply.

ARTICLE 178. DISSOLUTION OF THE BANK. At the conclusion of the liquidation, the liquidator or the board of liquidators or the trustee, as may be the case, will prepare a final report of the liquidation following the requirements established by the Superintendency. This report will be submitted to the Superintendency for its approval. Once approved, the Superintendency will order the dissolution of the bank and will remit the corresponding written notice to the Public Registry.

In the case of a branch of a foreign bank, the Superintendency will proceed to order the rescission of the bank branch registration in the Public Registry.

ARTICLE 179. INJUNCTIONS OR EMBARGOES. The assets of a bank in liquidation are not susceptible to injunctions or embargoes unless they are based on property rights. Those already enforced against the bank in liquidation shall be lifted.

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ARTICLE 180. APPEAL TO THE SUPERINTENDENCY. The resolutions issued by the liquidator or board of liquidators that are not susceptible of impugment to the Third Chamber of the Supreme Court of Justice will be appealable to the Board of Directors of the Superintendency.

ARTICLE 181. INADMISSIBILITY OF BANKRUPTCY. Banks are not subject to bankruptcy proceedings.

ARTICLE 182. APPLICABLE LEGISLATION. Banks that are in the process of liquidation on the entry into force of this Decree Law will continue the liquidation process as provided for in Decree Law 9 of 1998 prior to these modifications.

ARTICLE 183. EXPENSES OF THE LIQUIDATION. All the expenses incurred by the liquidation, including the salaries and emoluments of the liquidator or the board of liquidators as established by the Superintendent, will be the responsibility of the bank in liquidation.

TITLE IV SANCTIONS

ARTICLE 184. CRITERIA FOR THE ASSESSMENT OF SANCTIONS. The Superintendent will assess the proper administrative sanctions for the violation of the provisions of this Decree Law and laws and rules that regulate and modify it, taking into consideration the seriousness and recidivism of the offense, and the magnitude of the losses and damages caused to third parties.

In order to comply with this Title and special laws, the Superintendency will establish a system of graduated sanctions and a process to be followed in determining the sanctions to be imposed.

ARTICLE 185. FINES. The following sanctions are established:

1. Fines of up to one million balboas to:
 - a. Persons or entities engaged in the banking business without a license.
 - b. Anyone not complying with the provisions of Chapter XIII in Title III on the Prevention of Money Laundering, the Financing of Terrorism, and related crimes.
2. Fines of up to five hundred thousand balboas for violations of the provisions of Title III of this Decree Law related to:
 - a. The obligation to submit to inspection referred to in Chapter IV.

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- b. The capital referred to in Chapter V.
- c. The bank liquidity referred to in Chapter VI.
- d. The documents and reports referred to in Chapter IX.
- e. The prohibitions and limitations referred to in Chapter X.
- f. The obligations on confidentiality referred to in Chapter XII.

ARTICLE 186. GENERIC SANCTIONS. At his/her discretion and without prejudice to any penal action that may apply, the Superintendent may impose any of the following sanctions pursuant to violations of this Decree Law and its enabling regulations for which no specific sanctions has been established:

- 1. Private admonition.
- 2. Public admonition.
- 3. Fine of up to two hundred and fifty thousand balboas.

ARTICLE 187. PROGRESSIVE FINES. In all cases where violations of the provisions of this Decree Law and its enabling regulations are continued or repeated, the Superintendent may impose progressive fines until the violation is corrected.

ARTICLE 188. SANCTIONS. The special and generic sanctions established in this Decree Law may be imposed by the Superintendent to a bank, its directors, officers, managers, employees, and other personnel that have been involved in the violation of the provisions of this Decree Law. In the case of employees and directors, the bank shall be jointly and severally responsible for the fine imposed on these persons.

The fines and sanctions imposed by the Superintendent are independent of and without prejudice to other fines or sanctions for violations of any other applicable norm or law or any civil and criminal sanctions that may apply.

ARTICLE 189. PUBLICITY ON SANCTIONS. The Superintendent is authorized to publish the sanctions imposed in accordance with the provisions of this Decree Law.

ARTICLE 190. ADMINISTRATIVE PROCEEDINGS. If the Superintendent considers that there is a violation of this Decree Law and the norms or rules that modify or complement it, the Superintendent will notify the corresponding bank or regulated entity so that it may properly answer the charges and submit pertinent supporting evidence within a period not to exceed thirty days from the day of notification.

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The process for the imposition of sanctions shall be determined by the Superintendency.

ARTICLE 191. PERSONNEL OF THE SUPERINTENDENCY. Personnel of the Superintendency that may have incurred in violations of the provisions of this Decree Law shall be subject to the sanctions provided for in this Title, independently and without prejudice to other fines or sanctions for violations of any other applicable norm or law or any civil and criminal sanctions that may apply.

TITLE V THE BANK CLIENT

CHAPTER I PRINCIPLES

ARTICLE 192. PRINCIPLES. The purpose of the principles established in Titles V and VI of this Decree Law is to provide necessary and desired balance between the parties in the contractual relationship.

Banks have an obligation to provide their services to their clients with transparency, integrity, and equity, in conformity with the norms and principles in this Title.

ARTICLE 193. OBLIGATIONS OF THE BANKS. Banks have the following obligations:

1. To inform the bank client of the terms and conditions of their particular contract from the beginning of the relationship.
2. To abstain from taking advantage of the actions of the bank client (such as signing a blank document) for purposes other than those identified at the time the action was requested.
3. To abstain from any action impeding the bank client from cancelling his/her relationship with the bank, as long as the client does not default on his/her obligations to the bank.
4. To not apply or collect charges for services not delivered or not previously agreed upon with the bank client, and to reimburse these immediately upon demand.
5. To be diligent in answering inquiries and requests from their bank clients regarding the status of their obligations or to make their status known to third parties.
6. To inform their bank clients on the status of the operations, accounts and business relations maintained with them, without cost and in a timely manner, as well as to issue receipts and certifications of their transactions free of charge.

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ARTICLE 194. RIGHTS OF THE BANK CLIENTS. Bank clients shall have the following basic, non-renounceable rights, among others:

1. To have all of the information regarding a banking product or service provided clearly, accurately and free of charge, before, during and afterwards.
2. To cancel a relationship with a bank at any time, as long as the client does not default on his/her obligations to the bank or on previously agreed on charges applicable to the early termination of the relationship.
3. The right to strict confidentiality of information on his/her relationship with the bank and of his/her privacy.
4. To receive a diligent and efficient service from the bank, particularly regarding his/her inquiries and requests on the status of his/her obligations and his/her rights derived there from.

CHAPTER II BANKING CONTRACTS AND DOCUMENTS

ARTICLE 195. REVIEW OF MODEL BANKING CONTRACTS. Banks shall maintain up-to-date models of banking contracts and other ancillary documents at the disposal of the Superintendency, which may review them at any time and issue opinions on their compliance with the provisions of this Decree Law and its enabling regulations.

The Superintendency's review and lack of objection to a model contract or any other document shall not preclude the client's appealing to judicial authority if he/she considers that his/her rights have been infringed.

ARTICLE 196. WRITTEN CONTRACTS. Banking contracts should contain, as a minimum, the following basic information at the time of signing:

1. The complete name, nationality, domicile, and personal identification number or another valid personal identification document of each of the contracting parties. In the case of a legal entity, the information must include the corporate name, the record number from the Public Registry or its legal equivalent, the corporate domicile and the complete personal identification data of its legal representative.
2. A detailed description of the contracted services.
3. The total amount of the contracted obligation or of the transaction expressed in monetary terms, when applicable.

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4. The schedule and amount of the payments or amortizations and the place where they should be made.
5. The maturity date of the obligation or term of the contract.
6. The nominal interest rate and the applicable effective rate, with an example of its calculation. In the case of lines of credit, the formula used to determine the effective interest rate applicable will be shown.
7. If the contract or transaction contains exclusions, limitations, and/or causes for termination, these will appear in bold letters.
8. The date on which the contract or transaction is ratified.
9. In the same contract or in a separate document that must be delivered to the bank client, the bank must give a detailed accounting of the amounts that the client will be charged, indicating the reason for the charge and its amount or estimate in monetary terms. It is understood that these will include the cost of credit investigations, handling of applications, delinquent interest charges, extra charges, commissions, notary fees, filing fees, insurance premiums, surcharges, and any other charge of a similar nature.
10. The manner and schedule in which the bank will communicate changes or modifications to the terms and conditions agreed on in the contract to the bank client.
11. Any other clause or provision that the parties consider appropriate to include.

PROVISO. The provisions of Articles 72 and 73 of Law 45 of 2007 shall not be applicable to banking contracts and transactions.

ARTICLE 197. BLANK DOCUMENTS. The bank client may sign blank ancillary documents as long as they are related to the main transaction to which he/she assents, and as long as they are clearly identified as such.

A brief description of the blank document or documents shall be included in the main contract or in another document signed by the bank and the bank client.

Once the contractual relationship between the bank client and the bank has terminated, the blank ancillary documents signed but not utilized shall be returned to the bank client. If the client does not retrieve the documents within thirty days, the bank shall destroy them.

It is understood that the above is without prejudice to the provisions in the Law on Negotiable Instruments.

**TITLE VI
BANK CONSUMER PROTECTION**

**CHAPTER I
GENERAL PROVISIONS**

ARTICLE 198. SPECIAL NORMS AND JURISDICTION. The protection of the bank consumer or user of banking services will be governed by the special norms contained in this Title.

The Superintendency is charged with exclusive oversight of the compliance with the provisions of this Title. Consequently, the Superintendency is hereby authorized to develop the necessary standards and to determine their meaning, scope, and interpretation as it deems necessary for compliance with these provisions.

Due to their banking nature, the Superintendency is hereby granted exclusive jurisdiction to take cognizance of and protect the rights of the bank consumer.

ARTICLE 199. BANK CONSUMER. For the purposes of this Title, a bank consumer is that bank client, whether a person or legal entity that acquires a banking service or product, asset or liability meeting the following conditions:

1. Persons:
 - a. Financing destined for the personal consumption of the bank consumer or his/her family, as defined by the Superintendency, up to an amount of fifty thousand balboas per transaction.
 - b. Financing for the purchase, construction or improvements of the principal residence of the bank consumer or his/her family, up to an amount of one hundred twenty-five thousand balboas per transaction.
 - c. Demand deposits whose titleholder is a bank consumer, up to an amount of twenty thousand balboas.
 - d. Savings or time deposits whose titleholder is the bank consumer, up to an amount of fifty thousand per account.
2. Legal entities:
 - a. Financing received for commercial purposes by micro and small businesses as defined by the Law on Micro, Small, and Medium Enterprises, up to an amount of two hundred thousand balboas.

TRANSLATION

- b. Financing received through a legal entity for final use by its shareholders, owners, family members or their beneficiaries, up to an amount of one hundred twenty-five thousand balboas.
- c. Any other transaction by a legal entity, as determined by the Superintendency.

PROVISO. The Board of Directors of the Superintendency is hereby authorized to update the amounts established in this article whenever it deems advisable, taking the consumer price index into account, among other criteria.

CHAPTER II INFORMATION

ARTICLE 200. FURNISHING INFORMATION TO THE BANK CONSUMER. Only the provisions of paragraphs 1, 2, 7, 9, 12, and 13 of Article 36 of Law 45 of 2007, which establishes the obligation to furnish information to the bank consumer, shall be applicable to banks.

For the purposes of these provisions and as long as the banking contracts comply with the requirements of the law, it is understood that the service providers are in compliance with the obligation to furnish information to the bank consumer when they deliver the document that contains the contract or the terms and conditions of the service or product in question.

CHAPTER III NULLITY

ARTICLE 201. NULLITY OF CLAUSES IN AN ADHESION CONTRACT. In banking adhesion contracts, any stipulation that implies waiver or reduction of a right recognized in this Decree Law and its enabling regulations, shall be considered null and void.

Those clauses that imply a waiver of rights or proceedings that is expressly permitted by other laws are excluded from the purposes of this nullification.

ARTICLE 202. NULLITY OF CONTRACTUAL CLAUSES. The scope and interpretation of Article 74 of Law 45 of 2007 shall be the following:

1. The determination of the abusive or excessive character of a contract clause, and therefore its absolute nullity, shall be made by taking into account the nature of the products or services that are the object of the contract and considering all of the circumstances surrounding the clause at the time of signing, as well as all other clauses of the contract and other contracts on which it depends.

TRANSLATION

2. Price fluctuations in financial products shall not be considered a change in the conditions of the contract, as long as this is stipulated in the contract.
3. Banking contracts drafted in a language other than Spanish shall not be considered invalid as long as the language was requested by the user of the banking services and the contract is not a public document. Likewise, the drafting of banking contracts in a language other than Spanish is permitted in those cases when the international nature of the contract requires it.
4. Clauses that permit the waiver of domicile, of formality of proceedings, of procedural terms, and of personal notifications shall not be considered invalid as long as they comply with the norms of the Judicial Code, the Civil Code and/or other laws.
5. Clauses that allow the bank to change or modify the terms and conditions of the banking contract shall not be considered invalid, as long as they comply with the provisions of paragraph 10 of Article 196.

ARTICLE 203. CAUSES FOR RELATIVE NULLITY. The parameters used in determining the proper applicability of each of the causes for relative nullity established in Article 75 of Law 45 of 2007 shall be those provided for in special legislation. In the absence of special legislation, the norms developed by the Superintendency shall be applied. In their absence, banking practices generally accepted by the market and the principles of good faith and contractual fairness will be used.

ARTICLE 204. DECLARATION OF NULLITY. The Superintendency may not declare a clause in a banking adhesion contract null and void. This power shall belong to other competent authority.

ARTICLE 205. AUTHORITY TO DECLARE NULLITY. The declaration of nullity of contracts between banks and their clients is subject to the jurisdiction of the Courts, as provided for in the Law. Therefore, it is not within the power or responsibility of the Superintendency to nullify contracts between banks and their clients.

CHAPTER IV COMPLAINTS

ARTICLE 206. SYSTEM FOR ATTENDING TO COMPLAINTS. All general license banks will implement an administrative system, adjusted to their activities, for personalized attention to all complaints, claims and disputes that may arise in their relationship with their clients.

The executive responsible for this service will be accountable to the management of the bank. His/her decisions shall be binding for the bank and shall be rendered in not more than thirty days. In its answer to the bank consumer, the bank must state that if the

TRANSLATION

consumer is not satisfied, he/she has an additional thirty days to submit his/her complaint to the Superintendency as provided for in Article 211.

Banks are responsible for informing their clients of the responsible executive and the location of the complaint assistance service. The banks will maintain a record of complaints received.

ARTICLE 207. RIGHTS AND OBLIGATIONS. In addition to the provisions of Article 194, the bank consumer shall have the right to administrative appeal at the Superintendency in all matters related to Titles V and VI of this Decree Law.

For their part, the banks shall have the obligation to appear before the Superintendency when an administrative appeal is lodged against them for violation of, or noncompliance with, any provision of this Title.

ARTICLE 208. JURISDICTION AND COMPETENCY. The Superintendency shall have exclusive administrative authority to hear and adjudicate complaints lodged against banks by bank consumers for violation to the provisions of Titles V and VI up to an amount of twenty thousand balboas. Once the Superintendency accepts to hear the complaint of noncompliance of the banking norms for the protection of bank consumers, due to the interest the Superintendency protects and the nature of the activity, there shall be no concurrent or subsequent intervention whatsoever from any other authority.

PROVISO. The Board of Directors will be authorized to update the amounts set forth in this article when it considers it advisable, taking into account the consumer price index, among other criteria.

ARTICLE 209. EXCEPTIONS TO JURISDICTION. The Superintendency shall not hear complaints on matters provided for in Law 6 of 1987 regarding benefits for retirees, pensioners, and senior citizens, Law 24 of 2002 regarding credit references or Law 45 of 2007 regarding truth in advertising.

ARTICLE 210. SOLUTION OF COMPLAINTS. Violations of the rights and obligations established in Title VI of this Decree Law shall be heard and resolved by means of administrative appeal to the Superintendency.

ARTICLE 211. COMPLAINTS TO THE SUPERINTENDENCY. The Superintendency will hear complaints from bank consumers against banks in the following instances:

1. When the bank does not resolve the consumer's complaint within thirty days and the consumer decides to lodge the corresponding administrative appeal to the Superintendency.

TRANSLATION

2. When the decision of the bank, even if timely, does not satisfy the bank consumer and he/she decides to lodge a complaint to the Superintendency.

PROVISO. The bank consumer will have thirty days from the day he/she obtained a formal answer from the bank to submit his/her complaint to the Superintendency.

ARTICLE 212. ARBITRATION IN BANKING SERVICES. Arbitration in banking services is hereby instituted as an alternate method of resolution of disputes between banks and bank consumers. When both parties agree to the Superintendency's jurisdiction, the Superintendency is authorized to arbitrate in disputes between banks and consumers, with full authority to resolve these conflicts according to the provisions of this Decree Law and enabling regulations.

ARTICLE 213. ADDITIONAL RULE. For the purposes of this Title, the pertinent provisions of Law 45 of 2007 shall be applicable in matters of consumer protection to the extent that they do not contradict the provisions of this Title. Insofar as they are applicable, they shall be interpreted administratively, and in any case, shall be applied according to the norms and principles set forth in this Title.

TITLE VII FINAL PROVISIONS

ARTICLE 214. BANK HOLIDAYS. The Superintendency may, with prior notice to the public, establish days in which banks will not provide service to the general public. These days do not have to coincide with official holidays or days of mourning.

ARTICLE 215. INACTIVE ASSETS. All banks shall inform the Superintendency about any property, funds or securities in their possession that have been inactive for five years and belong to persons whose domicile is unknown. After verifying the facts, the Superintendency will order these assets liquidated and their value transferred to the Banco Nacional de Panamá.

In the case of numbered accounts, disclosing the full identification of the client at the time the account is transferred to the Banco Nacional de Panamá will not violate the duty to preserve confidentiality described in Law 18 of 1959.

ARTICLE 216. RESTITUTION OF FUNDS. The Banco Nacional de Panamá is under the obligation of making restitution of the funds described in the previous article to their owners if they are claimed within ten years following the date in which they were transferred, but without payment of interest. After said term, the funds will be transferred to the National Treasury.

ARTICLE 217. INDIVISIBILITY OF BANKS. All establishments of a bank in Panama shall be considered one bank for the purposes of this Decree Law.

TRANSLATION

ARTICLE 218. IMMUNITY OF ACCOUNTS. Funds of any nature deposited in this country by Central Banks or similar institutions acting as depositaries of the international reserves of Sovereign States, shall not be subject to injunctions, embargoes or any type of retention or withholding.

ARTICLE 219. DESIGNATION OF ACCOUNT BENEFICIARIES. Banks may permit their clients to designate beneficiaries for any and all accounts. If a beneficiary or beneficiaries is/are designated, upon the death of the principal titleholder of an account, the bank may disburse the balance of the account directly and without any other formality or judicial process, to the person or persons designated by the titleholder as beneficiary or beneficiaries, regardless of the nature or amount of the account. For this purpose, the designation of the beneficiary or beneficiaries shall be made by the titleholder or titleholders through a process to be determined by the bank.

Each bank will establish a procedure for the delivery of the balance of the accounts and inform the titleholder or titleholders that designate beneficiaries. The corresponding payment shall be made by the bank once the beneficiary has been properly identified and the death of the titleholder or holders verified. As long as the established formalities are complied with, the bank shall be deemed to have properly disbursed the payments provided for in this article and its actions may not be challenged.

ARTICLE 220. DEPOSITS IN INTERNATIONAL LICENSE BANKS. Monies and other property and securities deposited in international license banks are considered domiciled in Panama and, therefore, shall be subject to the jurisdiction of the Panamanian Courts.

ARTICLE 221. CREDITORS OF BRANCHES IN PANAMA. In the case of liquidation, the assets of a branch of a bank in Panama will first satisfy the obligations of creditors of the branch in Panama, be they foreign or domestic.

ARTICLE 222. SUBJECTION TO PANAMANIAN LEGISLATION AND JURISDICTION. The assets transferred or deposited in banks, either as a deposit, mandate, trust or any other basis, shall be fully subject to the laws and the jurisdiction of the Republic of Panama, except where the instruments of transfer state otherwise.

It is hereby declared a matter of public order and public policy that the assets of foreigners, as they are defined in the following proviso of this article, are fully subject to the principle of free will and of free disposal of property, even when the inheritance or the marriage laws of the country of nationality or domicile of the titleholder, grantor, founder or beneficiary provide otherwise.

PROVISO. For the purposes of this article, foreign assets are defined as those belonging to titleholders, grantors or beneficiaries that were not Panamanian citizens or residents of the Republic of Panama at the time the transfer of the assets was completed.

TRANSLATION

ARTICLE 223. ATTACHMENTS AND EMBARGOES AGAINST BANK ASSETS.

In case of attachments, embargoes or any other injunction against assets owned by a bank, the Court shall provide the relevant order to the Superintendency before its execution. The Superintendency shall have thirty days to make the proper arrangements in accordance with the provisions of this Decree Law.

If the Superintendency makes no arrangement or does not take any measures whatsoever within this period, the judge will continue with the execution of the respective resolution as provided for in the Judicial Code, without prejudice to the powers that this Decree Law grants to the Superintendency.

ARTICLE 224. APPEALS. Except for the special cases established in this Decree Law, the resolutions of the Superintendent will permit an appeal for reconsideration to the Superintendent himself/herself and an appeal to the Board of Directors. The affected party will have five business days from the date of notification of the respective resolution or the resolution deciding the reconsideration, as may be the case. The resolution deciding the appeal will exhaust all administrative recourse.

The resolutions of the Board of Directors will permit only an appeal for reconsideration to the Board of Directors, for which the affected party will have five business days from the date of notification. The resolution of the Board of Directors or the resolution deciding the appeal will exhaust all administrative recourse.

The above is without prejudice to recourse to administrative litigation.

ARTICLE 225. SPECIAL FISCAL PERIODS. Banks that wish to use a fiscal period other than the calendar year and have received the approval of the Ministry of Economy and Finance will notify the Superintendency of that authorization.

ARTICLE 226. REFERENCES TO THE NATIONAL BANKING COMMISSION.

All references to the National Banking Commission in laws, decrees, and other provisions, as well as in contracts, pacts, rules or circulars written prior to this Decree Law are understood to refer to the Superintendency, and the rights, powers, obligations, and functions of the National Banking Commission shall be understood as rights, powers, obligations, and functions of the Superintendency, unless expressly excepted in this Decree Law.

Likewise, all references to the Executive Director of the National Banking Commission in laws, decrees, and other provisions, as well as in contracts, pacts, rules or circulars written prior to this Decree Law are understood to refer to the Superintendent, and the rights, powers, obligations, and functions of the Executive Director of the National Banking Commission shall be understood as rights, powers, obligations, and functions of the Superintendent until the Board of Directors decides otherwise.

TRANSLATION

ARTICLE 227. VALIDITY OF THE BANKING RULES. The banking rules issued by the National Banking Commission and the Superintendency in force at the time of the promulgation of this Decree Law, as well as the Resolutions of the Superintendent and the Board of Directors currently in force, are hereby considered valid as long as they do not contravene the letter and spirit of this Decree Law.

ARTICLE 228. MICROFINANCE. This Decree Law will not affect the provisions of Law 10 of 2002, which establishes norms regarding the microfinance system.

ARTICLE TWO: This Executive Decree shall enter into force six months after the promulgation of Decree Law 2 dated 22 February 2008.

Given in the City of Panama on the thirtieth (30th) day of April, two thousand eight (2008).

LET IT BE KNOWN AND PUBLISHED.

MARTIN TORRIJOS ESPINO
President of the Republic

HECTOR E. ALEXANDER H.
Minister of Economy and Finance